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**THE EMPLOYER DIRECT DEPOSIT PILOT
OF THE
IOWA/NEBRASKA EFT PROJECT**

June 1992

SUBMITTED TO:

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Exhibit F

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CHAPTER I

EXECUTIVE SUMMARY

Introduction

This report summary describes the work performed during the final phase of the Iowa/Nebraska EFT Project. Iowa and Nebraska were assisted in this project by staff from Policy Studies Inc. (PSI). This phase of the project investigated employer use of direct deposit to make payments of child support withheld from wages. The investigation, which took place between June 1991 and March 1992, had three goals:

Test national standards

In the Spring of 1990, a working group was convened by the Federal Office of Child Support Enforcement (OCSE) to develop national standards for the computer file that is used for direct deposit of wage withholdings by employers. This group selected the Cash Concentration and Disbursement with special addenda record (CCD+) format as the national standard. One goal of this project was to test the use of the CCD+ format to determine if it would work well for employers throughout the country.

Evaluate the marketing process

A second goal of this project was to learn more about the most effective ways to tell employers about the direct deposit option. Various marketing approaches were used - mailings, presentations, trade shows, telephone calls, and site visits - and they are evaluated in this report.

Learn about barriers to direct deposit use

The final goal of this project was to learn why employers might not be receptive to direct deposit. This information will assist OCSE in determining the best way to implement the concept on a national level.

Brief Description of Project

Separate direct deposit marketing campaigns were undertaken in Iowa and Nebraska, partly because the child support environment is structured so differently in the two states. In Iowa,

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all child support collected under the IV-D program is sent to the Collection Services Center (CSC) in Des Moines. In Nebraska, employers remit child support to the county Clerks of the District Courts, and only payments for AFDC cases are forwarded to the State.

In Iowa, a list of the 6,000 employers currently doing wage withholding was extracted from ICAR, the statewide child support computer system. That list was narrowed down to include only those 300 or so employers who were withholding for five or more payors, since those employers were more likely to benefit from the potential efficiencies of direct deposit. Written materials, including a general descriptive brochure and an implementation packet, were developed. A marketing campaign was conducted which consisted of an initial mailing followed by telephone calls and site visits.

In Nebraska, four Clerks of the District Court participated in this direct deposit project. Clerks in Douglas County and Sarpy County serve the greater metropolitan Omaha area, the Lancaster County Clerk serves Lincoln, and the Hall County Clerk serves Grand Island, Nebraska. Lists of employers who currently withhold child support were collected from each participating Clerk's office resulting in a list of 413 employers. Due to the differences in record-keeping, some Clerks' offices submitted names of all employers for whom they withhold, while other Clerks' offices were able to submit only employers withholding for 3 or more payors. The marketing campaign conducted in Nebraska closely matched the campaign conducted in Iowa. A descriptive brochure was mailed to all employers on the list followed by second mailings, telephone calls, and site visits to interested employers.

Testing National Standards for Child Support Direct Deposit

As described below, one of the major lessons learned in this demonstration project is that it takes time to build interest in child support direct deposit and even more time to get employers to allocate the resources necessary to implement it. As a result, at the end of this effort, only three employers, two in Iowa and one in Nebraska, were able to test the new national standards for ACH transmission.

Iowa

The two employers in Iowa did not use direct deposit in exactly the manner envisioned for the majority of employers. Meredith, a publishing and subscription fulfillment company, banks with Norwest, which is also the State of Iowa's bank. As a result, the transfer of child support funds was made through an intrabank transaction, not through an automated clearing house (ACH). Maytag Corporation, the appliance manufacturer, had an electronic

Executive Summary

link directly into the Federal Reserve banking system so their transmissions did not pass through the typical bank/ACH process. However, in the case of Maytag, the transmission was subject to all the standards that govern regular ACH transfer, so that aspect of child support direct deposit was tested. And both companies had to make procedural and system changes similar to those required of other companies doing direct deposit.

In any case, no problems were encountered by either Iowa employer after an initially bumpy start on the part of Maytag. Child support withholding has been successfully paid to the Iowa CSC through direct deposit using the CCD+ format for more than six months now.

Nebraska

The State of Nebraska (as an employer sending child support to the Clerk of the District Court) now uses direct deposit to submit wage withheld child support. The State encountered a few minor programming problems, mostly stemming from the programming staff's unfamiliarity with the CCD+ format. Once those issues were corrected, transmission of the withheld child support was accomplished with no problems. The State has also been using the CCD+ format successfully for more than six months.

Evaluate the Marketing Process

The marketing processes used in Iowa and Nebraska proved to be a satisfactory way of reaching employers within a given jurisdiction. The written materials, which were reviewed by many interested parties (including bank ACH staff, programmers, payroll managers, and payroll association officials) were generally judged to be effective at describing the direct deposit option and the technical details involved.

Follow-up contact on the mailings made to promote child support direct deposit showed that brochures were received and read by most employers. However, to ensure that brochures arrive at the correct address, other jurisdictions using this method will want to carefully evaluate the accuracy of the lists maintained in their computers. It may prove more effective (especially as wage withholding becomes more widespread) to purchase mailing lists of employers since those lists are updated frequently and may have more accurate addresses.

Telephone calls proved to be an effective marketing tool, although it was sometimes difficult to reach the appropriate individual in an organization. For example, the decision-maker for direct deposit could be in the personnel, payroll, or accounting area. However, telephone

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calls allowed the employer to ask questions and discuss concerns. Often a few minutes of discussion created more interest than was initially created by the brochure.

Site visits were also a good way to promote direct deposit, but were much more time-consuming. Sitting down face to face with staff involved in payroll and programming allowed a thorough discussion of the process of direct deposit, and the CCD+ format. In these discussions PSI was able to clear up any misconceptions, and assist the employer in thinking through the direct deposit process and what it might mean for the organization.

Barriers to Direct Deposit Use

This project also defined barriers to employers' willingness or ability to use direct deposit for child support. There were three major barriers identified:

Number of withholdings

Most employers did not believe that the number of child support payments they are sending to Nebraska and Iowa justified the effort involved in switching payment methods. These employers often have one person handling these payments, and that person does not find the process too difficult or time-consuming. Some employers do have their system automated to the extent that the system automatically creates the check for remitting child support payments. Therefore, a switch to direct deposit requires changes to existing automated systems. Others withhold for so few that their manual process takes only minutes.

Payroll system barriers

There are a number of barriers within this category. Employers who use payroll processors are constrained by what their processor can do for them. Other employers have PC-based payroll systems which they cannot modify and which do not create the CCD+ format. Many regional offices of larger employers, or subsidiary companies, have their payroll run in another location by the corporate office, or some other processing site. While those offices were often contacted, they seem less likely to implement substantial reprogramming for the benefit of only one site. (The United States Marines were targeted to test direct deposit as a large national employer. However, other priorities prevented them from making the necessary programming changes during the project.)

Lack of direct deposit experience

Employers who do not currently do any direct deposit are less likely to be interested in this particular application. Employers who are using payroll direct deposit are most likely to be interested, followed by those who use direct deposit for vendor payments. Even some sophisticated direct deposit users are concerned about issues like correcting errors and controlling the process.

Conclusions and Observations

Although this pilot did not result in extensive testing of the CCD+ format, it did help to identify the employer characteristics that are most likely to lead to direct deposit use. Minor issues related to the CCD+ format were uncovered. We also made progress on determining the best ways to reach employers, payroll processors, and the vendors who provide payroll packages.

Based on this work, we believe that:

- Direct deposit is a concept that will be attractive to employers when more child support entities can receive it.
- After further analysis of minor issues, the CCD+ format can be used on a wide-spread basis.
- Payroll vendors and processors expressed considerable support for the direct deposit concept.
- The spread of central payment registries and the potential impact of the 1994 requirement that wage withholding be used for all child support will together make direct deposit more attractive to employers.

CHAPTER II

PROJECT HISTORY AND GOALS

The History of Child Support EFT in Iowa and Nebraska

The Iowa/Nebraska EFT project began in February 1987 when the two states submitted a joint application to study the use of electronic funds transfer (EFT) for child support collection and distribution functions.

After a period of planning and study, a number of EFT applications were implemented, including:

- Direct deposit of child support withheld by employers
- Automatic withdrawal from payor checking accounts
- Credit card authorization and draft capture
- Direct deposit to payee checking accounts

As part of the EFT project, the states also implemented or enhanced a number of automated processes to assist in payment processing, including audio response units, and personal computer systems used in posting employer payments. The results of this work are described in detail in the report titled Iowa/Nebraska Electronic Funds Transfer Project, Analysis of Implementation Process and Issues: Final Report.¹

Since the spring of 1991, the focus of the Iowa/Nebraska EFT project has been on direct deposit of child support withheld by employers. Only a handful of employers were able to implement this option during the previous project periods, but their experience was promising enough to warrant additional marketing of the concept to Iowa and Nebraska employers. This report describes the efforts made to promulgate the use of employer direct deposit in Iowa and Nebraska and the results of those efforts.

¹Policy Studies Inc.; Denver, Colorado; April 1991.

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Evolution of the Direct Deposit Concept

One of the original goals of the Iowa/Nebraska EFT Project was to test the potential of EFT for moving child support funds. Since more than 40 percent of all child support collected now comes from employer wage withholding nationwide², direct deposit has become a major area of interest. (In Iowa, the proportion of child support collected through wage withholding is much higher, about 70 percent.)

As shown in the diagram on the following page, using direct deposit to transfer child support funds can involve several organizations. First, an order to withhold child support is sent to an employer. The employer records the amounts withheld for a set of employees. The employer passes that information on to his or her payroll processor or directly to the employer's bank. The bank or payroll processor uses that information to initiate a transfer of funds over an automated clearing house (ACH). An ACH is a telecommunications network used by financial institutions to transfer credits and debits electronically.

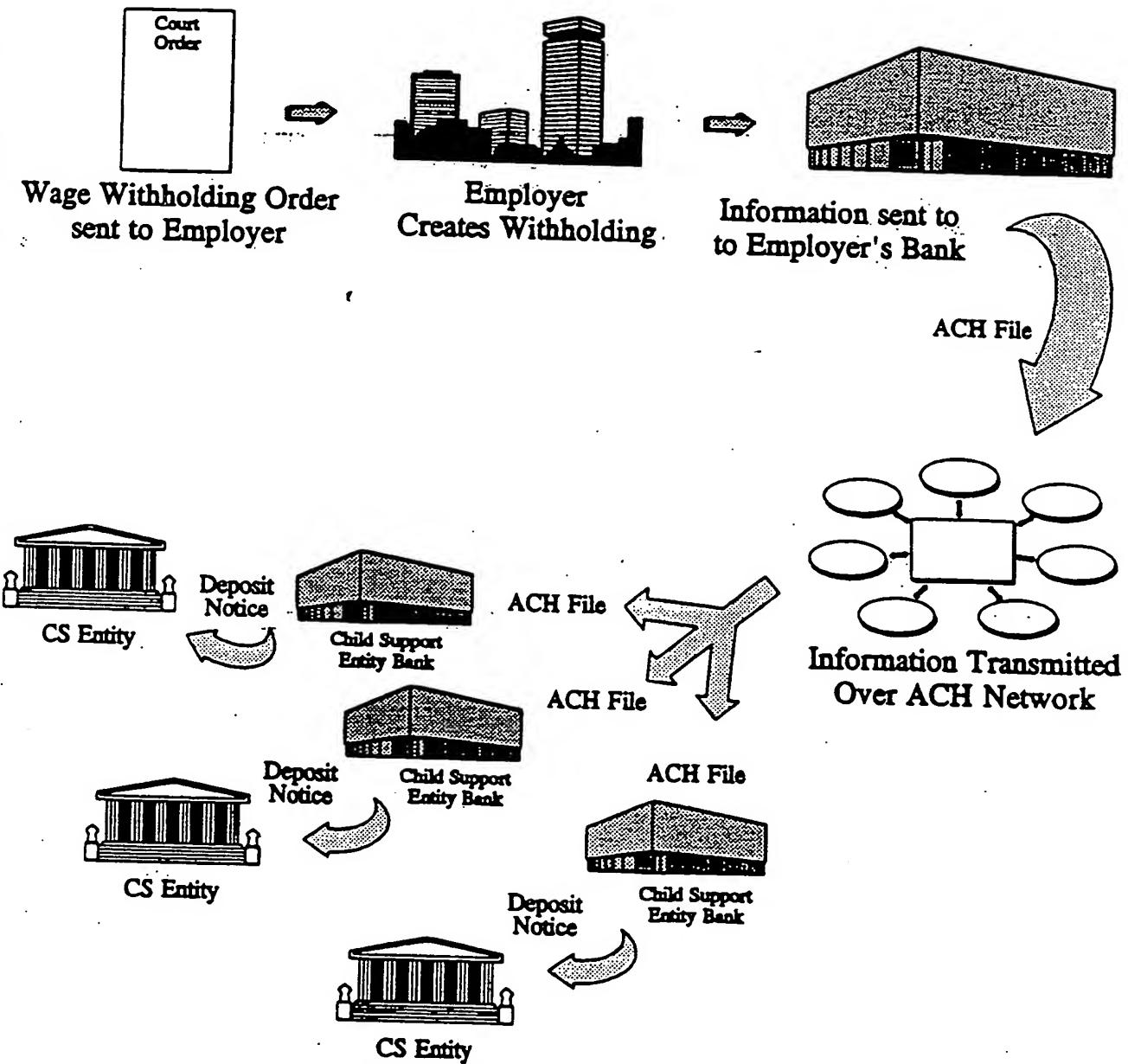
During the ACH transmission, the child support receiving entity's bank account is credited with the funds and the employer's bank account is debited for the same funds. In addition to crediting the proper account, the bank passes on to the child support entity certain case information, either electronically or by a paper report, which makes it possible to properly post the received funds.

Direct deposit was introduced for child support withholding with the hope that it would benefit both employers and child support entities. The potential benefits for employers included:

- Elimination of paper checks
- Faster receipt of payment by the child support entity
- Ability to automatically post payments

² 1991 Green Book: Overview of Entitlement Programs, Committee on Ways and Means, U.S. House of Representatives, May 7, 1991, page 678.

Typical Direct Deposit Processing Flow



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Eliminating checks

Creating and mailing checks is quite expensive for employers. Studies of this process have indicated that it costs as much as \$5 to \$10 to produce and mail a single check, given the printing, labor, and postage involved. Checks can be lost in the mail or sent to the wrong address. Furthermore, since they are mailed, checks must be sent sufficiently far ahead of a due date to ensure that they are received on time. By using direct deposit, employers can eliminate these check-related problems while reducing the payment origination cost.

Faster receipt of payments

Most employers who use checks to transfer withheld child support write the checks when payroll is run. The checks are mailed and reach the receiving child support entity as much as a week later. In contrast, funds transferred through direct deposit reach the child support entity as soon as 24 hours after payroll. Although there may be some exceptions to this practice when child support withholding is widespread (payroll processors may actually hold the funds for a period before using EFT to transfer them), direct deposit will nearly always get the money to the child support entity - and therefore to the payee - faster than checks.

Automatic posting

As described in detail in Chapter VII of this report, one of the benefits of direct deposit is the ability to receive information about incoming payments in electronic form. When the child support entity's bank receives a group of direct deposits, the information can be transferred in computer file form to the child support entity's computer system. The computer system can then use the information to automatically post the payments to the proper accounts.

The CCD+ Record Format

Although the initial test of direct deposit demonstrated the promise of this payment method, it became clear that employers - especially those remitting child support to multiple jurisdictions - would be reluctant to undertake the necessary programming and procedural changes unless they could be sure that the new approach would be universally applicable for all jurisdictions.

Project Goals and Design

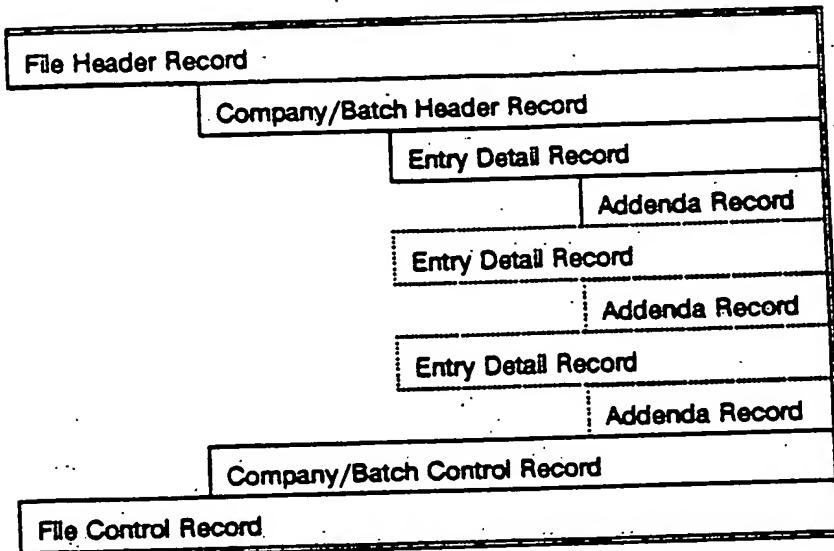
To address this issue, a Child Support Application Work Group was formed to establish national standards for child support direct deposit. The Work Group was made up of representatives of the organizations most affected by child support direct deposit, including:

- The Federal Office of Child Support Enforcement (OCSE)
- The National Automated Clearing House Association (NACHA)
- The Banker's EDI Council
- The Banking Conventions Committee
- Automated Data Processing (a national payroll processor)
- The U.S. Marine Corps (a large national employer)
- State Child Support Agencies

After a series of meetings, the Work Group established a specially adapted Cash Concentration or Disbursement+ (CCD+) format for the file of information used to transmit child support withholding funds electronically. CCD is the format commonly used to transfer funds from one organization to another. CCD was selected over the Prearranged Payments and Deposits (PPD) format used by employers to do payroll direct deposit because the PPD format is actually intended for use when an organization is transferring funds from an organization to an individual. Since child support direct deposit would involve moving funds from an employer to a child support entity (agency, court, or registry) CCD was deemed the more appropriate choice.

The "+" sign appended to "CCD" indicates that the record structure within the electronically transmitted file includes special information describing the transaction. Each entry in any CCD file has within it a set of information called an "entry detail record." In the case of CCD+, each entry detail record is accompanied by an addenda record. Figure II-1 illustrates this structure.

Figure II-1



The tasks of the Work Group included establishing standards for the information to be carried in the addenda record. The addenda record carries the information that tells the child support entity how to post the payment, so this task was particularly important.

Appendix A contains detailed file and record layouts for the child support application. In this section, we will briefly describe the contents of the special addenda record for child support. For child support direct deposit, each addenda record carries five required fields, as described in Table II-1.

Table II-1
Contents of Addenda Record

Field	Data Element
1	Record type code
2	Addenda type code
3	Free form
4	Special addenda sequence number
5	Entry detail sequence number

Policy Studies Inc.

Project Goals and Design

The key field for child support direct deposit is Field 3, the free form field. The Work Group established specific standards for the data that is entered into this area by the employer or the employer's bank. In addition to the data elements that properly identify this field within the electronic transmission, the free form field holds the following child support-specific information.

Case Identifier	In Iowa, this is the CSC (Collection Services Center) Number, also commonly referred to as the "case number." In Nebraska, this is the court case docket and page number.
Pay Date	This is the date on which the related payroll was effective.
Payment Amount	This is the amount of child support withheld for this particular case.
Absent Parent SSN	The Social Security Number of the payor for whom the payment is being withheld.
Medical Support Indicator	A yes or no indicator that medical insurance is available from the employer. (Intended to help child support agencies identify sources of medical support.)
Absent Parent Name	The last name of the payor.
FIPS Code	An optional field indicating the FIPS code of the receiving child support entity.

Project Goals

As previously described, employer direct deposit of child support had already been tested in earlier phases of the EFT Project. The goals of this most recent phase of the project were to:

- Test the new national standards to discover any problems or issues before nationwide implementation;

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- Evaluate methods of marketing the direct deposit concept to employers;
- Learn more about the barriers that would prevent employers from using direct deposit.

The Iowa Context for Direct Deposit

In the State of Iowa, the Collection Services Center (CSC), a centralized payment registry, handles all child support collected and distributed by the IV-D program. Established in April 1987, the CSC collected and distributed in excess of \$83 million on public assistance and non-public assistance in State Fiscal Year 1991 (July 1-June 30) on 80,000 court-ordered cases. All payments were distributed within Federal timeframes.

The presence of the CSC in Iowa made it an ideal place to test the employer direct deposit concept. Because the majority of payments withheld by employers are sent to this single location, implementing direct deposit could eliminate much of the manual processing of those payments required each time that payroll is run.

When direct deposits are made to Iowa's bank, the bank forwards the addenda data electronically to the State's computer, which in turn creates a paper report used in posting. Iowa plans to modify this process to allow most payments to be posted automatically from the electronic bank data.

However, a certain (but unmeasured) percentage of the child support withheld by Iowa employers is still sent to other locations. Some payments are remitted to child support entities in other states. Non IV-D payments are sent to local county courts. The local court payments might be done through wage withholding either because the payor was ordered to pay in this manner due to a history of non-payment, or because the payor requested it from his or her employer as a convenience.

The Nebraska Context for Direct Deposit

In the State of Nebraska, each county's Clerk of the District Court collects and disburses all child support. Nebraska provides a good counterpoint to research conducted in Iowa due to this decentralized collection and disbursement system. Clerks in the four counties serving the largest population centers in Nebraska participated in this project. Douglas County and Sarpy County Clerks of the District Court serve metropolitan Omaha. Lancaster County

Clerk of the District Court serves Lincoln and the Hall County District Court Clerk serves Grand Island, Nebraska. Collections for each of the four Clerks' offices for March 1992 are shown in Table II-2.

Table II-2
March Collections for Nebraska Clerks of the District Court

CLERK OF DISTRICT COURT	\$ COLLECTED
Douglas County (Omaha)	\$2,696,175
Sarpy County (Omaha)	\$1,031,215
Lancaster County (Lincoln)	\$1,596,132
Hall County (Grand Island)	\$116,495

Currently, employers send a check for child support payments along with a list of the payors and the amounts of the withholding to the Clerks' offices. Those payments are then posted into each Clerks' computer system and, after waiting a prescribed period of time, a check is issued to the payee.

Direct deposit of the employer-withheld child support payments has made little change in the actual processing of payments for the Clerks' offices. Each Clerk's bank programmed a report that is generated every time an addenda record is received. The banks send that report to the Clerks' offices the day that it is generated. Staff in each Clerks' office posts those payments into their system just as they did with the employer listing. However, since the funds in a direct deposit transaction are transferred more quickly than when paper checks are used, some Clerk's offices will issue the check to the payee more quickly.

CHAPTER III

PROJECT DESIGN: CONTACTING EMPLOYERS

IOWA

The List of Candidates

To begin the marketing process, a list of employers was extracted from the IV-D computer system (ICAR) in Iowa. In June, 1991, there were about 6,000 employers submitting payments to the Iowa Collection Services Center (CSC). However, since it was more likely that the direct deposit option would appeal to employers withholding for a substantial number of employees, a list was produced of the approximately 300 employers who were withholding for five or more payors. This list became the core group addressed by efforts to increase the use of direct deposit.

To assist in the analysis of the activities conducted in this phase of the EFT project, a research database was established using a personal computer (PC) database program called Paradox. The database was designed to hold basic information about each employer, to record mailings and telephone calls, to schedule follow-up activities, and to capture the reasons given by employers for not pursuing the direct deposit option. (Example screens are provided in Chapter VII.)

The list of 300 employers was loaded into the PC database. A number of duplicate company entries were noted on the list provided by the State. It appears that when agency staff enter new companies into the State's IV-D computer system, there is no automated check to verify whether a company is already carried on that system. In addition, a number of companies appeared multiple times on the list due to small or large variations in spelling, abbreviations, or mailing addresses.

Marketing Materials

Several written pieces were developed and printed for use in marketing direct deposit. The first piece, a 3-panel brochure designed to fit into a business envelope, described the option in general terms. It included a detachable business reply card that the employer could use to request more detailed information. (See Appendix B for an example.)

Chapter III

The second item was an implementation packet. The packet consisted of a 9 x 12 inch pre-printed folder that held three inserts describing child support direct deposit to employers, banks, and programmers. An implementation checklist and an evaluation form were also included in the packet. The implementation packet contained a cover letter signed by James Hennessey, Iowa IV-D Director. Also included was the statement of support for EFT written by the Federal Office of Child Support Enforcement. (Appendix C contains samples of the packet contents.)

A third written piece was developed during the course of the project. This paper described the importance of child support enforcement and explained why employer withholding is so important. It also cited the Federal law requiring wage withholding of all new child support beginning in 1994. This analysis was developed at the request of Automatic Data Processing (ADP), the nation's largest payroll processing company. However, it proved to be useful when other payroll companies and employers had basic questions about wage withholding and the government's role in child support enforcement.

Mailings

In September of 1991, a brochure and a cover letter on State of Iowa letterhead were mailed to the approximately 300 employers in the research database. Each of the business reply cards was pre-stamped. (It was too expensive to establish a business reply permit for this purpose since the mailing size was small and the mailing would take place only once.)

As the business reply cards returned (by the end of the project, 29 were sent back), implementation packets were mailed out and the employer was scheduled for a follow-up telephone call. A set of brochures was also sent to each of the IV-D field offices in Iowa for distribution to interested employers.

Subsequent discussions with employers indicated that most of the brochures mailed in September reached employers. However, about 15 of the addresses in the mailing list were wrong. In another 24 cases, the address stored in ICAR as the remitting employer's address turned out to be the wrong address for decision-makers. In these cases, a second brochure was sent (at the recommendation of an employee during a telephone conversation) to the corporate office that actually manages the payroll process.

In addition, a small number of brochures were returned because they were sent to CT Corporation, a firm acting as a legal representative in Iowa for out-of-state corporations.

Contacting Employers

Because these employers were not identified in any other way on ICAR, it was impossible to trace them and send them to the actual company address.

Telephone Follow-up

As a routine matter, any employer who requested an implementation packet received a follow-up telephone call.

In addition, a calling campaign was conducted in December 1991. The goal of this effort was to reach as many of the non-relying employers (those who did not request an implementation packet) as possible, to ensure that they were not really interested and to learn why. More than 160 employer calls were made during this campaign.

Voice Mail for Direct Deposit Calls

To give callers an easy way to request additional information, a voice mail extension was established within Iowa's telephone system exclusively for direct deposit calls. The phone number was printed on all the written materials mailed to employers. PSI and the State monitored the voice mail extension for calls and responded with a follow-up call or by mailing additional information.

Site Visits

Sixteen site visits were made to promote direct deposit. Each site visit took about 30 to 60 minutes, depending on the number of staff from the employer who were attending and the number of questions that came up. The script on the next page was used to structure the site visits.

Script Used in Employer Site Visits

Introduction

Goals: Describe direct deposit option, answer questions, recruit

Basic Child Support Information

- About 1 in 5 children in the U.S. now live in a single parent house.
- About one-half of those children live below poverty line.
- Even when child support is ordered, it is not always paid.
- In 1975 the IV-D program was established to improve collections.
- About 40% is collected through employer wage withholding.
- OCSE has sponsored this research into new ways of moving money.

The Iowa/Nebraska EFT Project

- Test site for EFT since 1988.
- Two employers have been using direct deposit in Iowa for 1.5 years.
- National standards have been established, this is the final pilot.
- CSC payment and disbursement statistics.

Direct Deposit

- Computer file sent over the ACH, funds go from bank to bank.
- Many ways to get information to the bank: disk, tape, fax, modem.
- The national standard is a CCD+ format with special addenda record.
- It took Meredith about 40 hours to program CCD+ format.
- CCD+ records can be mixed with others in an ACH file or transmission.

Benefits

- Can be used in Iowa & Nebraska now, other jurisdictions later.
- One-time investment to reduce manual processing at employer and State.
- Helps ensure that child support reaches children quickly.

Questions

- What obstacles or concerns does the employer see?
- What would decision/approval process be?
- Is the employer interested in implementing? If so, when?
- When should we call back?
- How to get more information (telephone number, mailing address)

Other Employer Contact

There were two other forms of employer contact. On behalf of the project, PSI attended the annual convention of the American Society of Payroll Management (ASPM) in September 1991. A booth was donated by the ASPM. A banner that said "Child Support Direct Deposit" was printed and hung in the booth. Materials from Iowa and Nebraska were provided to the conference attendees, most of whom were from companies of national scope.

In addition, a member of the Iowa IV-D field staff was asked to speak at a Cedar Rapids payroll association meeting. Direct deposit materials and a fact sheet were used by presenter in his talk.

NEBRASKA

Employers Contacted

Nebraska differs substantially from Iowa in how child support payments are collected. In Nebraska, county Clerks of the District Court collect and disburse child support. Employers receive notices for withholding from the County Attorneys, and then remit payments to the appropriate Clerk's office. The Clerks are then responsible for disbursing the funds to the payees.

Employers currently withholding child support for Douglas, Sarpy, Lancaster, and Hall counties were the target of the Nebraska marketing campaign. To develop a list of those employers, each Clerk of the District Court's office provided a list of employers from whom they receive three or more withholdings. Douglas and Lancaster counties were able to provide employers who met that criteria. However, due to record keeping methods, Sarpy and Hall counties provided lists that included all employers from whom they receive wage withheld child support. A breakdown of the number of employers per county is shown in Table III-1. Though many of those employers names included addresses, there were a substantial number that did not. The State of Nebraska IV-D agency provided a printout of employers from their mainframe system. Most of the remaining employer addresses were available from that list.

Table III-1

Clerk of District Court	Number of Employers Contacted
Douglas County Clerk	38
Lancaster County Clerk	79
Sarpy County Clerk	174
Hall County Clerk	122

Each employer was entered into the PC database, described earlier, which was developed for the project. The database holds basic information about each employer, records mailings and telephone calls, assists with scheduling follow-up activities, and records the reasons given by employers for not pursuing the direct deposit option. The Nebraska and Iowa employer databases were maintained on separate computers.

Marketing Materials

The marketing materials were developed to provide a two-step method of contacting employers. Since the information about implementing direct deposit of child support is rather complex, employers were first contacted using a descriptive brochure with a cover letter from the State IV-D director, Mary Ann Miller. The brochure includes a detachable reply card which an employer could use to request more information. (An example of the brochure is provided in Appendix D.)

The second set of materials consisted of a folder containing three sets of implementation information. One set described generally the implementation of direct deposit of child support for the employer, another set described the process for a programmer or other technical person likely to actually accomplish the task of implementing the process, and the third set of information was written for the employer's bank, describing the process to help the bank implement its role in generating the direct deposit file for the employer. (An example of the implementation materials is provided in Appendix E.)

The folder also contains a copy of a white paper published by the Federal Office of Child Support Enforcement (OCSE) describing the EFT/EDI Pilot Project. Finally, there is a

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project checklist to help employers identify the steps to implementation, and an evaluation sheet to complete and return to PSI upon implementation.

Mailings

The brochure and cover letter were sent to all 413 Nebraska employers in mid-September. The project database generated the mailing labels. Each brochure was stamped with the name and address of a contact at the appropriate Clerk of the District Court's office. The employers then sent the requests for further information to the Clerk of the District Court. The contact at the Clerk's office then sent the implementation packet to the employer, and forwarded the employer information to PSI. A follow-up phone call was scheduled after the employer received the implementation packet.

In Nebraska 21 requests for further information were received, or 5.1 percent of the total mailing. The breakdown by county is shown in Table III-2.

Table III-2

Clerk of District Court	Number of Employers Responding
Douglas County Clerk	5
Lancaster County Clerk	5
Sarpy County Clerk	6
Hall County Clerk	5

Telephone Follow-up

Each employer who requested an implementation packet received a follow-up phone call. In addition, when it became clear that the response to the brochure mailing was going to stay at about 5 percent, follow-up calling was conducted to major employers who had not responded to the brochure mailing. The calls resulted in mailing out 11 additional implementation packets and provided the bulk of the employers who received visits.

Chapter III

Site Visits

A total of 11 Nebraska site visits were made in two trips which took place in late January and early March. During each site visit, detailed information was collected about the employer's payroll system and payroll process and employer questions were answered.

Site visits were particularly useful for three reasons. First, because child support direct deposit can be a complex topic, it was easier for people to understand the capability and attendant issues when talking with someone face to face. Face-to-face meetings seemed to allow for greater information-sharing, and a more detailed question-and-answer session about direct deposit. Similarly, we found that employers often had basic questions about the child support program and wage withholding. They seemed to be more comfortable about asking these questions in the more relaxed setting of a meeting, as opposed to a telephone call.

Second, it seemed that when we had an opportunity to sit down with employers in a scheduled meeting (as opposed to a telephone call), they were more forthcoming about the variables that effected their potential participation in the pilot. For example, site visits often included a detailed discussion of exactly how payroll is run for particular segments of the employee population.

Third, at site visits we were often able to meet with representatives from several areas of the company. The meeting gave them the opportunity to discuss the steps that would be required to implement direct deposit and to work through the obstacles that might exist. Because our telephone calls were generally made to a single individual, this consensus-building process did not take place.

CHAPTER IV

CONTACTING PAYROLL PACKAGE AND SERVICE VENDORS

Telephone Contacts

In the course of contacting employers in Iowa and Nebraska, we encountered many companies who used either purchased payroll software or had their payroll processed by a service vendor. At the employer's request, PSI sent information about child support direct deposit to these companies and followed up with telephone calls. The companies contacted in this manner include:

COMPUTAX Inc. (A site visit was also made to the Cedar Rapids office)
MAXXUS
Item Processing Corporation
Creative Computer Solutions
LPI Data Systems
Control Data (A site visit was made to the Omaha office)
TBSC

Mailings

Toward the end of the project, a mailing describing the direct deposit option was made to payroll software vendors across the country. The list was compiled from a reference book called Data Sources.¹ This book lists software vendors by the application that they provide. The mailing list was selected by examining the company profile included. Any vendor with more than 100 clients was included. The list totaled 135 names. Because it took place at the end of the project, the exact response to this mailing is not known. However, about 10 percent of the vendors requested additional information in the three weeks following the mailing.

¹Volume 2 "Software," 2nd Edition, 1991, Ziff-Davis Publishing Company, New York.

Chapter IV

ADP, COMPUTAX and Control Data Outreach

One of the members of the national Work Group on child support direct deposit was Automatic Data Processing (ADP), the nation's largest payroll processor. In the course of this project, PSI worked with the EFT product manager at ADP, Michael Goodwin. At Mr. Goodwin's request, PSI prepared an analysis of wage withholding and direct deposit. This analysis was used by Mr. Goodwin to present the case for child support direct deposit to the corporate officials responsible for authorizing and prioritizing enhancements to the ADP product line.

By the end of the project, Mr. Goodwin had succeeded in obtaining approval for the development of a child support product that includes direct deposit as a payment option. That product is now under development. Mr. Goodwin reported that ADP hopes to have the product available by the time that the expanded wage withholding requirement goes into effect in 1994. ADP will begin to publicize the product some time this year.

ADP's support for direct deposit is an important step in securing widespread acceptance by payroll processors. When the ADP decision was referenced in conversations with other vendors, it gave greater credence to the concept.

PSI also met in Cedar Rapids with a company called COMPUTAX. COMPUTAX, another national payroll processor, also hopes to add child support direct deposit to its product line. PSI presented COMPUTAX with additional information about the technical details.

In Omaha, four large employers who were interested in implementing child support direct deposit use Control Data. PSI met with Control Data staff in Omaha and talked by telephone with Mike Ratonia, Product Manager for Control Data's payroll products, in the corporate office. Control Data is interested in learning more about child support direct deposit, and invited the Federal Project Officer of the EFT/EDI project to speak at Control Data's *Insights '92* customer seminar in June. Mr. Ratonia will use employer response at this seminar to help determine whether to conduct a cost/benefit analysis of the direct deposit option. Such an analysis would be the next step in the decision-making process at Control Data about whether to implement a child support direct deposit product.

The Float Issue

Conversations with payroll vendors and processors revealed that one key issue is the length of time that child support funds can be held before forwarding them to the receiving entity.

CHAPTER V

CONTACTING NATIONAL EMPLOYERS

Telephone Contacts with National Employers

One of the members of the Work Group that established the national standards for direct deposit was the U.S. Marine Corps. The Marines were to be the first employer of national scope to implement and test the CCD+ format. However, as time passed, other projects took precedence and the Marines were unable to implement direct deposit within the time-frame of the project.

Mailings

Mass mailings to national employers were not undertaken as part of this project. However, in the course of contacting Iowa and Nebraska companies, PSI was asked to send materials to a number of corporate payroll offices outside the state. Some of these companies (and the state in which their payroll operation was located) were:

- Bil-Mar Foods (Michigan)
- U.S. Postal Service (Minnesota & Washington, D.C.)
- Cargill Hybrid Seeds (Minnesota)
- Chicago and Northwestern Transportation Company (Illinois)
- Commtron Corporation (California)
- Continental Baking, Inc. (Missouri)
- Douglas & Lomason, Co. (Michigan)
- General Electric Company (New York)
- John Deere (Illinois)
- Olsten Corporation (New York)
- Ralston Purina (Missouri)
- Stone Container Corporation (Illinois)
- Waste Management (Illinois)
- Monfort, Inc. (Colorado)
- Pepsi-Cola Bottling (Texas)

Although all of these "home offices" received copies of the Iowa or Nebraska Implementation Packets, none of them had requested additional information as of the date of this report.

Chapter V

ASPM Convention

In September 1991, PSI attended the annual conference of the American Society for Payroll Management (ASPM) on behalf of the project. Approximately 150 representatives of national employers attended. All held senior payroll and human resource positions at large national companies. The ASPM provided a booth free of charge. (The ASPM extended the same courtesy to other parties representing government entities, including the Internal Revenue Service, Bureau of Labor Statistics, and Social Security Administration.)

There were three goals in attending this convention. First, PSI attempted to recruit national employers for participation in the current effort to extend the use of direct deposit of child support in Iowa and Nebraska. Second, PSI wanted to inform these national employers about the direction that the Federal Office of Child Support Enforcement (OCSE) is taking with EFT. Third, PSI wanted to inform as many payroll system software vendors as possible about the draft standards for child support direct deposit so they can prepare for a possible national implementation of this approach.

The level of interest in direct deposit was very high. A banner was hung over the booth that said "DIRECT DEPOSIT OF CHILD SUPPORT." It is difficult to say exactly how many of the attendees came to the booth for information. However, it is believed that at least 80 percent of the 150 attendees stopped by.

Each person who approached the booth was encouraged to take a copy of the OCSE white paper on EDI/EFT for child support. In addition, PSI asked each attendee whether he or she managed payroll for employees in Iowa. About 30 answered affirmatively. These individuals were given a copy of the tri-fold brochure previously mailed to a subset of Iowa employers. Employers were also informed verbally about the option to do direct deposit to Nebraska.

A number of attendees who did not have Iowa employees explained that they are in the process of upgrading their in-house payroll computer systems at that time and wanted to add the future capability to their list of enhancements. These individuals were given a copy of "Information for Programmers," a section from the Implementation Packet. On Monday when the attendees were in training sessions, PSI approached the payroll software vendors present at the conference and provided copies of the draft standards for the file and record layout.

Although no tangible results came from attendance at the ASPM conference, it was quite valuable in terms of learning about the concerns of major, national employers. Here is a summary of those concerns.

Support for the concept:

Without exception, national employers were strongly in favor of implementing direct deposit of child support. Comments included "It's about time someone did this," "It's the only way to do it," and "This would be wonderful, it would save us so much time and effort." Clearly, preparing manual checks and lists is a major burden for national employers. The process of determining where to send them month after month is an even greater difficulty. (A related point is that virtually all of these employers seem to already be using direct deposit for at least some payroll functions. Therefore, direct deposit applications are familiar to them.)

The float issue

Like payroll processors, employers who currently hold child support for the full 10 days allowed by Federal law (and therefore earn interest on the money) may be unwilling to use direct deposit because they will lose that source of income if the child support direct deposit is done at the same time as payroll direct deposit. This issue was posed to the employers PSI spoke with at the conference. Their responses were as follows:

- All but one of the employers believed that getting child support to children is more important than float earnings.
- In fact, a number of employers reported that they currently cut child support checks *before* payroll checks because they place such importance on getting the money to the agency/court (or payee, as described below) quickly.
- Even the person who was reluctant to give up the float agreed that it was probably inevitable and expressed a willingness to do so.
- Although employers would theoretically be able to hold the child support direct deposit for 10 days by Federal law, most said that they would rather run it at the same time as all other direct deposits. (This may mean that child support entities could receive money faster by permitting direct deposit.)

Chapter V

Charging fees for child support withholding

Most employers were not taking advantage of their right (by Federal law) to charge a fee for withholding child support. They reported that the overhead involved in creating invoices and mailing them is not covered by a fee of several dollars, so they ignore this option.

Awareness of potential growth in employer withholding

Most of the employers seemed aware of the potential impact of the Family Support Act requirement to withhold child support for almost all orders beginning in 1994, even those not handled by the IV-D program.

On the other hand, three attendees also reported that they are already using direct deposit to send child support directly to payee bank accounts. This was taking place in California, Illinois, and Missouri. A larger number of employers reported that they currently send child support checks directly to payees (probably for non-IV-D cases) and must field the inevitable calls when the checks arrive late or not at all.

The use of direct deposit to send money directly to payees has not been part of the Iowa/Nebraska project because employers in those states are required to make payments to a public agency. But, the fact that it is currently being done may hold implications for the direction that OCSE gives to employers about their responsibilities after 1994.

The issue of critical mass

It appears that many national employers will implement direct deposit of child support only when the number of agencies/courts able and willing to receive payments in this manner reaches a substantial number. National employers want to know that the work involved in adapting their computer system will be justified by the number of payments that can be sent through direct deposit. Most were philosophical about the inevitable need to maintain both an electronic and manual process for child support payments. (They do the same thing for many tax remittances.) However, a common question was, "Will OCSE make this mandatory?"

In-house versus vendor payroll

Employers using in-house payroll systems and those using payroll services or packages were about evenly represented. However, many attendees were talking about moving to a vendor-based payroll system. Over time, the computer systems developed for in-house

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payroll are becoming difficult and expensive to maintain. At the same time, package software is becoming more sophisticated and adaptable. More employers may, therefore, begin to use vendors. This implies that future marketing of the direct deposit concept should also focus on vendor education.

An international development

PSI also spoke with Michael Ridge of Cyborg Systems, a United Kingdom payroll processing company. He is serving on a British task force to study the use of EFT in collecting and distributing child support.

Contacting employers at conventions was effective because of their high level of interest in ways to reduce the effort required to prepare and send child support payments. It is doubtful whether a mailing to these same employers would have resulted in the same number and quality of contacts. Payroll and human resource managers receive a great deal of mail (much of it from vendors) and the direct deposit message may have gotten lost.

CHAPTER VI

EMPLOYER RESPONSE

Introduction

This chapter describes in detail the contacts made with employers and their level of interest in the direct deposit concept. We first describe the automated database used to record employer interactions. The telephone calls, mailings, and site visits made to promote the idea are described. Based on our interactions with employers, they were placed in two categories: those who are definitely not interested in the foreseeable future, and those that are interested but were unable to implement direct deposit during the timeframe of the pilot. Refusal reasons are examined and compared to employer characteristics. Finally, the experience of the few employers who did test the CCD+ format is described.

Description of Automated Database

As mentioned, a database was developed for this project both to track employer contacts and to gather information for research purposes. The employer response described in this chapter is based upon that database and on conversations with employers.

The database was developed using a program called Paradox. There were two data entry screens. The first screen (Figure 1) contained basic information about the employer, as well as a window holding a record of mailings. The second screen (Figure 2) held information about telephone calls, site visits, and refusal reasons.

Two separate databases were maintained for the two participating states. Each database was populated manually using lists of withholding employers provided by the states.

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Figure 1

Press [F4] to move into and out of boxes. Press [F2] when done.	
Company ID#: 00 PSI Representative KT Company name: Square X Company Address: 3003 Roundbottom Dr. P.O. Box 230987 City: Lincoln State: NE Zip: 68512 Contact name: Michael Jackson Contact title: Payroll Supervisor Area code: 402 Phone: 404-8889 Withholding For: 8 Record type (RC,VT): RC Category of company (IA,NB,NA,PP): LA Next contact: Next type of contact (LT,PH,VT):	
MAILINGS Press F4 in/out of box	
Type of Mailing: IP Date of Mailing: 10/18/91 Mailing #: 2 Comments: No direct deposit, In-house payroll	
Mailing type codes: BL=brochure and letter IP=implementation packet LT=unique letter OT=other Page Down for Next Screen	

Figure 2

Employer Response

Press [F4] to move into and out of boxes.
Press [F2] when done.
Phone number: 402 423-6721 TELEPHONE CALLS Press F4 in/out of box

Date Phoned: 11/05/91	Spoke To: Michael Jackson, Payroll Supervisor
Phone Call #: 1	Comments: can't imp. dd. software doesn't allow. sent info to-district manager.

VISITS Press F4 in/out of box

Date of Visit:	Met With:
Visit #:	Comments:

Direct deposit implemented: N Date: Refusal reason: PS
Refusal codes: TP=too much programming PS=payroll system inadequate
TB=too busy LC=loss of control DD=didn't like
OT=other ER=employee reaction TF=too few payors
Comments:

Employer Contacts

Table VI-1 shows the number of employer mailings made in Iowa and Nebraska.

Table VI-1
Mailings

State	Brochures	Implementation Packets	Total
Iowa	375	62	438
Nebraska	413	32	445

In addition, a number of tailored letters were mailed in each state.

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In neither state were employer telephone numbers available in an automated form. Two sources were used to gather telephone numbers. A list of Iowa employers was purchased from Dun and Bradstreet, and directory assistance provided numbers in some cases. In Nebraska, some employer phone numbers were on the lists of employers who withhold child support made available by the Clerks' offices. The list of employers from the state mainframe computer also contained phone numbers. Any other employer phone numbers needed were obtained from directory assistance.

Table VI-2 shows the number of telephone contacts made with employers in the two states.

Table VI-2
Telephone Calls

State	Total Calls	Employers who received more than one call
Iowa	252	40
Nebraska	67	37

Two rounds of site visits were made in Iowa. The first trip was made in December, 1991. It was relatively easy to schedule appointments with employers on this trip. That was not true for the second site visit trip made in early March, 1992. In preparation for the second trip, it was necessary to make about 30 calls to schedule 7 appointments.

This difference may have come from two sources. First, by March many larger employers had been contacted and had already refused. In fact, many of the calls made to schedule March appointments resulted in refusals. Employers seemed to be more aware of the implications of direct deposit by this point and had formed firm opinions about whether they were interested or not. Second, the work of payroll departments is very seasonal, and the first quarter of the year is particularly busy. It will be important to schedule future marketing of direct deposit around the cyclical workload of payroll managers and their staff.

Two rounds of site visits were also made in Nebraska. The first trip was in January, 1992. It was difficult to schedule appointments during January because of the demands on the payroll and financial staff during January. In spite of the difficulty, calls were made on six employers. The second trip was in March of 1992 and resulted in visits to five employers.

Employer Response

Table VI-3 shows the number of site visits made in the two states.

Table VI-3
Site Visits

State	Site Visits
Iowa	16
Nebraska	11

Rate of Implementation of Direct Deposit

The first several months of this phase of the Iowa/Nebraska EFT project were spent developing written materials, mailing lists, and the database. The first mass mailings went out in September 1991, leaving about six months for active marketing of the direct deposit concept.

One of the major findings of this project is that it takes a considerable amount of time to build public awareness of a new payment method, and even more time for employers to allocate the internal resources to make it possible to use direct deposit. Although a number of employers are interested in implementing and have taken steps to do so, as of the writing of this report, no additional employers were fully recruited. The analysis of refusal reasons in the next section sheds light on this outcome.

Reasons for Refusal

The database was structured to hold seven coded and one "other" refusal reason. The coded reasons were selected based on earlier attempts to recruit employers for direct deposit use.

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Table VI-4 show employer refusals by coded refusal type in the two states.

Table VI-4
Refusal by Coded Reason Type

Code	Iowa	Nebraska	Total
OT - Other	41	1	42
TF - Too few payors to justify effort	17	7	24
DD - Didn't like the idea	14	3	17
PS - Payroll system cannot accommodate the function	12	1	13
TB - Too busy	7	0	7
TP - Too much programming required	5	0	5
LC - Too much loss of control over processing withheld funds	4	0	4
ER - Worried about reaction of employees	0	0	0

Iowa

A comments section was reserved in the database for recording explanations about the refusals that fell into the OT category. A manual examination of those comments indicated several additional major reasons for refusal, as shown in Table VI-5.

Table VI-5
Non-Coded Refusal Reasons in Iowa

Reason for Refusal	Number
Payroll is too variable, too much employee turnover	7
Not using direct deposit for anything	7
Current method (sending in check) is easier	7
Unknown, employer hostile or unresponsive	6
Too hard to mix with checks to other states or counties	5

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Reason for Refusal	Number
Payroll is done out of state	4
Uses payroll vendor	1
Too hard to correct EFT errors	1
Doesn't like direct deposit	1
Wants time to cover checks - direct deposit too fast.	1
Likes to deduct from account immediately	1

Another category of employers did not refuse to implement direct deposit, but were not willing to implement in the near future. Their reasons often echoed those offered by the employers that refused. Comments that were often made by these "maybe later" employers included the following:

They use a payroll processor or package and will have to wait until child support direct deposit is added by the vendor.

Payroll is not done in the State of Iowa, it is processed by some out-of-state corporate location.

They will consider it when all jurisdictions can receive direct deposits - in the meantime, it is too confusing to mix direct deposit with the checks they must send everywhere else.

Direct deposit would be nice, but other programming work has a higher priority.

The employer believes that direct deposit is too expensive because of bank charges.

Nebraska

The Nebraska data on refusals is low for two reasons. One, there was not the extensive calling campaign to every employer that took place in Iowa. Two, the employers who were contacted in addition to those who responded to the brochure mailing were larger employers who were likely to have more resources and more withholdings. It was reasoned that they would have more interest in implementing direct deposit of their child support withholdings.

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And, indeed, they were generally interested in the idea. Of the 31 companies contacted, only 12 refused outright to consider the idea any further. Comments of those 12 employers about why they are refusing to do direct deposit are below.

Table VI-6
Non-Coded Refusal Reasons in Nebraska

Reason for Refusal	Number
Not worth it for the number of withholdings	8
No particular advantage to company	1
Payroll is done out of state	1
Cannot implement due to accounting structure	1
Won't do direct deposit until it becomes mandatory	1

Refusal Reason Compared with Employer Characteristics

Iowa

To learn more about what types of employer may accept or refuse direct deposit, we compared the refusal reasons with two employer characteristics: number of employees for which support is withheld, and location within the state. In Iowa, the patterns noted are shown in Table VI-7.

Table VI-7
Comparison of Level of Withholding to Refusal Reason in Iowa

Code	Number of Withholdings			
	1-5	6-10	11-15	16+
TP - Too much programming required	0	2	2	0
PS - Payroll system cannot accommodate the function	0	4	1	4
TB - Too busy	0	2	0	2

Employer Response

Code	Number of Withholdings			
	1-5	6-10	11-15	16+
LC - Too much loss of control over processing withheld funds	0	1	0	0
DD - Didn't like the idea	0	0	3	5
ER - Worried about reaction of employees	0	0	0	0
TF - Too few payors to justify effort	5	6	1	0
OT - Other	5	7	4	5

Although the sample size is much too small to use for any predictions about which employers will embrace child support direct deposit, Table VI-7 does show some interesting information. For example, we would expect to find more interest in direct deposit on the part of larger employers who are withholding for more employees. However, the table shows that even employers withholding for quite a few employees are constrained by the capabilities of their payroll systems and are not necessarily in favor of direct deposit in general.

However, it should be pointed out that, just because an employer is withholding for a large number of employees, that employer cannot be assumed to have a large payroll count. The nature of a business can impact the ratio of employees with withholding orders and the total employee population. For example, companies employing primarily men tend to have a proportionally large number of employees with child support orders. Companies employing mainly women have a relatively low proportion of child support withholding.

We examined the refusal reasons by their location according to Iowa area codes. There was no significant geographic variation in the types of refusal reasons given by employers.

Nebraska

In Nebraska; the level of withholding compared to the twelve refusals to implement is shown in Table VI-8.

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Table VI-8
Comparison of Level of Withholding to Refusal Reason in Nebraska

Code	Number of Withholdings			
	1-5	6-10	11-15	16+
TP - Too much programming required	0	0	0	0
PS - Payroll system cannot accommodate the function	0	1	0	0
TB - Too busy	0	0	0	0
LC - Too much loss of control over processing withheld funds	0	0	0	0
DD - Didn't like the idea	1	0	0	0
ER - Worried about reaction of employees	0	0	0	0
TF - Too few payors to justify effort	5	1	0	1
OT - Other	1	0	0	0

The Nebraska data are too few to draw any conclusions from. However, the majority of refusals come as a result of too few payors. Many of the employers who are interested, but are not in a hurry to implement, feel the same. As long as the number of withholdings is low enough to handle manually without too much effort, they don't see a benefit to switching over. Indeed, most Nebraska employers contacted are interested in implementing direct deposit some time in the future, particularly as the anticipated growth in withholdings occurs after January 1, 1994. These employers are willing to have the State contact them sometime in the summer of 1992. Therefore, the majority of employers contacted have not refused to implement and are not included in the refusal data.

Payroll Source and Type

As discussed elsewhere, one factor that affects an employer's interest and ability to implement direct deposit is the location of and control over the payroll process. Those employers who run payroll on a system over which they have control, usually through in-house programmers, will have an easier time implementing direct deposit. Employers who have their payroll processed outside have less control over whether, or when, they could

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implement direct deposit. This information was not collected for all employers, but for those who did report their payroll method, the breakdown is shown in Table VI-9.

Table VI-9

Type of Payroll	Number of Employers	
	Nebraska	Iowa
In-house system	17	131
Outside processor	10	17

It was our observation that the majority of employers using payroll processors were interested in, and supportive of, direct deposit of child support. Therefore, it is likely that if the option for direct deposit was available for those employers who use an outside processor, many of them would use it. This will be even more true after the January 1994 deadline passes.

Overview of Other Employer Input

This section is based on conversations with employers over the telephone or during a site visit. It provides an additional perspective on the concerns of employers over child support direct deposit. There were two types of employer input: questions and comments.

The following is a list of commonly asked questions:

- Will employers be required to use direct deposit?
- When will all child support entities be able to receive direct deposit?
- Does this save money for the state?
- Why is this beneficial to me?
- How does the receiving child support entity use the information we send?
- How can I be sure that payments are posted properly?
- How long does it take to do the programming to use child support direct deposit?
- What is the process for implementing child support direct deposit?
- How do I make a correction to a direct deposit?

The following is a list of common employer comments:

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We appreciate the effort being made to make child support withholding easier. I have to talk to (payroll/human resources/the programmers/my manager) about this before we can make a decision.

Direct deposit is not a high priority now, maybe later.

The payroll system doesn't have room to hold all the addenda record information. I don't have control over the payroll, it is done somewhere else.

The Meredith and Maytag Experiences

Two Iowa employers were able to successfully use the CCD+ format. Meredith is a Des Moines-based company withholding child support for approximately six employees. The division of Maytag that is using direct deposit withholds for about 50 employees.

Maytag has also been using direct deposit of child support for nearly two years and was able, after some difficulties, to use the CCD+ format. (A detailed description of those difficulties is contained in Chapter VII.) In contrast to the vast majority of employers in the country, Maytag has a direct telecommunications link into the electronic clearing network maintained by the Federal Reserve banking system.

When Maytag transfers funds to the Iowa Collection Services Center, they first create an electronic file. This file is added to the tape containing the other direct deposit files (payroll, pension, and so forth) and loaded onto a device that sends the information to the Federal Reserve bank in Chicago. That bank initiates an ACH transfer of funds from Maytag's bank and to Norwest, the State's bank.

As described previously, Meredith's process is different. Meredith creates a tape containing payroll direct deposit and child support direct deposit information. They deliver it to Norwest, who uses the information to create an intrabank transfer of funds from Meredith's account to the Collection Services Center account.

State of Nebraska

The State of Nebraska as an employer has been using direct deposit of child support for almost two years as well. They reprogrammed their system to use the CCD+ format in the Fall of 1991 and are successfully transmitting child support payments. The State's transaction does go through the traditional ACH routing system.

CHAPTER VII

TECHNICAL ISSUES

In addition to the issues around identifying, contacting, and educating employers about child support direct deposit; there are a number of technical issues involved. Those technical issues include non-traditional methods of transferring funds and payment information; issues that arise because of the CCD+ format; issues that employers face regarding constraints in their payroll system; and the role of the receiving entities' bank in this process. In addition, the receiving entity still must post the receipts and that posting may or may not be automated. The degree of automation at the receiving entity will also play a role in how the direct deposit of child support is implemented.

All of these technical issues are addressed in this chapter. Also included in this chapter are descriptions of how an employer notifies the State or District Court Clerk when ready to switch to direct deposit, and a discussion of correcting errors.

Non-Traditional Funds Transfer Methods

One of the findings of this project was that there are what could be termed "non-traditional" methods of implementing employer direct deposit. Although one of the key goals of this project was to test the ACH process involved in direct deposit, another goal was to discover ways to create more efficiency in handling employer withholding. These non-traditional methods address the latter goal.

Intrabank transfer of funds

It may be that the child support entity's bank is the same as the one used by many larger employers. State/county/court accounts are often sizable. The child support entity will look for the same level of banking service and support as a major employer. When there are only a few large banks in a particular jurisdiction, this overlap will be likely. This situation exists with one of the employers who tested direct deposit using the CCD+ format. Meredith banks with Norwest, which is also the State of Iowa's bank. In this situation, all the steps described previously for employer direct deposit apply with the exception of the ACH transfer. Instead of sending information through an ACH, Norwest simply debits Meredith's account, credits the Collection Services Center (CSC) account, and sends the information needed for posting on to the State.

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In Nebraska, the State payroll bank is National Bank of Commerce (NBC) which is also the bank for the Lancaster County Clerk of the District Court. In this case, the State transmits the child support withholding to NBC which does initiate an ACH transaction in order to move the funds into the Clerk's account. The ACH transaction with the addenda records triggers the special report the bank programmed for the Clerk. This report is then sent to the Clerk's office for them to use in posting the payments received.

Faxed list

The most prominent non-traditional EFT method is what came to be termed the "faxed list" method. Instead of transferring information to the bank electronically (via diskette, tape, or modem), employers can use a facsimile machine to send to the bank a printed list of the information necessary for child support direct deposit. Bank employees enter the data into a software package maintained by the bank for this purpose. Some employers use this method for payroll direct deposit. This option is attractive because it allows even very small employers (and those without the ability to adapt their payroll systems) to use direct deposit.

Intergovernmental fund transfers

Another non-traditional method of implementing direct deposit is to do an internal transfer of funds between governmental entities in a state. This option is being pursued by the State of Iowa, which withholds child support for more than 200 payors. Rather than initiating an ACH transfer, an internal accounting adjustment can be made to move the funds, and the Collection Services Center will be provided with the information (in printed or electronic form) to properly post the funds to the child support accounts. Even though it does not use the normal ACH transfer process, this payment method is still preferable to having one government entity print checks to send to another government entity. We suggest that states implementing direct deposit pursue this type of arrangement with as many related governmental entities as possible since it will immediately reduce manual processing.

CCD + Format

As previously described, the CCD+ format was selected by the Child Support Application Work Group as the national standard for employer direct deposit. One of the topics pursued in the direct deposit project was whether the selection of the CCD (rather than PPD) format would be a barrier to employer use of direct deposit.

Implications for payroll vendors

Although no quantitative results are available on this issue, employers who would have to adapt their own payroll systems to use child support direct deposit did not appear to see the format requirement as a problem. However, the choice of the CCD format may have some implications for payroll package vendors and payroll processors. It appears that some software packages written for payroll applications are able to use only the PPD format because, when the package was developed, the vendor only anticipated payroll direct deposit. On the other hand, the PPD and CCD formats have virtually the same record structure, so the effort required to adapt the packages should be minimal once the vendors have the proper incentive to do so.

The need to store addenda record data

The most troublesome aspect of the CCD+ format was not the format itself, but the need to have such a formally structured addenda record. An example best illustrates this point. Manpower of Cedar Rapids was interested in using child support direct deposit. Manpower transmitted other types of direct deposit information to its bank using a PC software package developed by a third party vendor. This software package could transmit a CCD+ record information needed to post the child support. Furthermore, there was no way in this particular package to store - from payroll to payroll - the basic set of information on the employees for which child support was being withheld. Manpower would have been forced to enter all the addenda record information in character string form and from scratch each time that payroll was run.

Maytag's difficulties with the new format

As mentioned in Chapter VI, Maytag had some technical difficulties in getting the CCD+ format to transmit properly. There were two problems:

- Addenda Record Count

Maytag assumed that the field called "Addenda Record Count" (Field Number 10 of the Entry Detail Record) should be filled with a rising sequential number. In fact, this number must always be "1" to indicate that there is only one addenda record following the entry detail record.

- Trace Number

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There is a fifteen-digit field in the Entry Detail Record called "Trace Number" (Field Number 11). Maytag used a number with two leading zeros. This was rejected because the ACH software requires at least seven valid digits and will not accept leading zeros.

After these corrections were made, the CCD+ format was accepted by the Chicago Federal Reserve Bank and was properly passed to the Collection Services Center via Norwest.

State of Nebraska's difficulties with the CCD+ format

When the State of Nebraska changed their programming for direct deposit over to the CCD+ format they encountered two difficulties.

- Standard Entry Class Code

The State of Nebraska did not have a problem revising the Entry Detail Record and creating the Addenda Record file. However, they did not check in the earlier Company/Batch Header Record. In that record, Field 6 (Standard Class Entry Code) must read "CCD." They did not correctly fill that field and the file did not run correctly.

- Record Type Code

The State also forgot to include the Addenda Record's Record Type Code in their count of records sent. This caused their count of the records sent in the transmission to be different from what they thought they were sending. When they included the Addenda Record in the record count, everything totaled correctly.

After the corrections were made, the State was able to transmit the child support direct deposit with no problems.

Interstate fund transfers and the CCD+ format

One CCD+ format question arose not in the course of PSI's Iowa and Nebraska work, but while designing the Colorado Family Support Registry. Colorado wants to make use of as many EFT technologies as possible in their new child support payment registry, including the ability to receive direct deposits from other states. An examination of the draft national standards showed that there is no readily identifiable field that can be used to indicate which state or local agency originated the payment. (The header records in this type of

transfer would show all the basic information about that state's bank, but would not indicate the originating agency.) Several possible solutions were identified:

- Use one of these fields to identify the originating state:

REFERENCE CODE: Field 13 of the File Header Record (8 characters, optional)

COMPANY DISCRETIONARY DATA: Field 4 of the Company/Batch Header Record (20 characters, optional)

COMPANY DESCRIPTIVE DATA: Field 8 of the Company/Batch Header Record (6 characters, optional)

DISCRETIONARY DATA: Field 9 of the Entry Detail Record (2 characters, optional)

- Use the optional FIPS code field in the addenda record to indicate the state (or county) of payment origin, not the FIPS code of the receiving child support entity.

This issue should be addressed before implementing the CCD+ format nationwide, since an increasing number of states will want to use direct deposit to transfer funds to and from other states. If one of the suggested fields is considered for this purpose, NACHA and other ACH organizations should be asked to review the proposed direction and comment on conflicts this may present with other uses of these fields.

A second issue is that of identifying where the payment comes from. This addenda does not allow for the out-of-state jurisdiction to specify whether or not the original payment made to them was from a State income tax refund offset in the responding state. Federal regulations require child support agencies to include, with payments they send to other agencies, an indication of whether the original payment was made through State income tax refund offset [303.7(c)(7)(iv)].

Payroll System Constraints

The structure of payroll systems - both in-house and vendor-provided - presented other obstacles to direct deposit implementation. For example, some systems allowed only one

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direct deposit destination, which would preclude child support direct deposit if that destination is already being used for payroll. Others allowed use of direct deposit for child support only if payroll direct deposit was also being used. In other instances, the payroll systems did not have adequate room or the proper structure to carry the addenda record data from payroll to payroll.

And even Meredith, which has both a sophisticated payroll system and programming staff, was having difficulty storing and using the CSC Number with direct deposit at the end of the project. (Initially, employers were allowed to use payor Social Security Numbers in the Case Identifier Field, number 5, in the Addenda Record. However, the State of Iowa later determined that, to accurately and automatically post the incoming payments, the CSC Number must be used in that field.) The payor's Social Security Number was easy to use, since it was already carried in the payroll system for other purposes. The CSC number was not routinely entered into the payroll system and it had to be added.

On the other hand, Nebraska had already required employers to use the court case docket and page number for identification. Therefore, the State of Nebraska did not have to create extra data storage for direct deposit.

A related point is that the structure of some payroll systems made the CCD+ format a barrier to employers. In this instance, the issue was not whether the record format CCD or PPD, but that the record format included an addenda record with each entry detail record. PSI encountered employers who were interested in implementing direct deposit, and were already doing some form of direct deposit, but had no room to store the addenda record information in their payroll systems.

Automatic Posting

There are three ways that a child support entity can receive direct deposit information from the bank.

- The bank can send a list of the relevant information (in effect, a statement) to the child support entity.
- The bank can send the information to the child support computer in electronic form where it can be used to print a list used for manual posting to the proper account.

- The bank can send the information to the child support computer in electronic form where it can be used to automatically post the payments to the proper account.

To implement the third option, the child support computer system must be adapted to receive and interpret the direct deposit information. To make this process effective, the computer must be able to automatically post the payments using pre-programmed allocation logic. The more sophisticated the posting software, the fewer payments will have to be manually allocated.

Iowa posting of wage withholding

During this stage of the project, the posting process in Iowa was semi-automated. In a previous stage of the project, a PC program had been created to store the list of ongoing wage withholding employers and, within that category, the relevant employees. When the information on wage withholding was received from the employer in the form of a single check and a printed list of employees and amounts, the PC program was accessed. The PC program showed the last month's wage withholding information for that employer, allowed the worker to enter the new information, and then automatically uploaded the information to ICAR, the child support computer system. This process was quicker than entering the payments one obligor at a time. Paper reports of direct deposits are being posted using this same process.

However, also during this stage of the project, a complex algorithm was developed to perform automatic posting. It was installed and tested during the project and was to be implemented shortly after the project end. Ideally, child support entities implementing employer direct deposit would develop this same type of automatic posting program to allow total automation of the process. However, the absence of such a program does not prevent the use (or negate the benefits) of direct deposit, since the information received from the bank can also be posted manually.

One implication of developing the posting algorithm was a decision by the State of Iowa to change the number that identifies the payor to ICAR. Originally, employers using direct deposit were required to submit the employee Social Security Number (SSN). However, the newly written posting algorithm required the use of the CSC Number rather than the SSN. The reason for this decision was that when there are multiple cases for a given obligor, only the CSC number can be used to properly post the incoming funds. The obligor's SSN is present in all case records, so it does not help the automatic posting routine find and properly analyze the various obligations.

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Nebraska posting of wage withholding

In Nebraska, the State is currently developing a statewide Court computer system. This system may automate the posting of employer direct deposit payments. However, all four Clerks of the District Court who participated in this project currently use manual posting for wage withholding payments.

In order to allow the Clerks to continue manually posting payments, the banks needed to provide a paper report of the payments received. All four banks involved in the project were willing and able to program the report.

Child Support Entities' Bank Role and Responsibilities

There are two main responsibilities of the child support entities' banks in child support direct deposit.

Maintain a separate account for receiving the direct deposit

The first responsibility is to establish and maintain a separate account to receive the direct deposits. Since the information on incoming deposits will be passed on to the child support entity for posting to the computer, it is important to keep these funds entirely separate from other child support, especially that from other EFT sources, like automatic withdrawal. In addition, this separate account allows the bank to provide the report needed for those entities who will not receive the information electronically.

Program and distribute the special report

The second responsibility of the bank is to create a report, or other notification mechanism, with which to notify the child support entity of the deposit and addenda record information. The information contained in the addenda records is typically not stored in the bank's computer. Therefore, if a special report is not created to capture that information, it is lost in the transmission. In Nebraska, the four banks serving the participating Clerk's offices were very cooperative about programming this report. The only issue was that of ensuring that the report was programmed and ready to go before any employers began transmitting child support. This coordination will be particularly important in any locale that does not have a central receipting agency.

Technical Issues

In addition, this project showed that banks, especially the child support entity's bank, can play a variety of roles in the implementation of direct deposit. Here are some of the possibilities:

- Participate in joint marketing efforts

Because direct deposit creates new business for the originating bank, it will probably be willing to assist in efforts to inform employers of the new payment method. In this situation, the bank may also be able to offer technical assistance during implementation.

- Provide software for direct deposit

Some banks offer a PC-based product to its customers for use in doing other types of direct deposit. It is possible that the same or slightly adapted software could be offered by banks for child support direct deposit.

- Add child support direct deposit to bill payer services

Some banks offer their clients a product called "bill payer services." The bank works with the client to set up a series of automatic withdrawals and other transfers to pay certain bills. Banks can encourage the use of their bill payer service for making child support payments, and then transmit those payments to the child support agency's banks via direct deposit. (In addition, some banks may offer payors the option of pre-scheduling transfers of child support funds.)

Banks seem particularly willing to help in promoting child support direct deposit when they are the bank of both the employer and the child support entity. A good place to start with child support direct deposit marketing would be to identify the employers who bank at the same institution as the child support entity. The bank may be willing to take on some of the marketing effort which would allow the child support staff to concentrate on other employer recruiting.

Correcting Errors

When errors are made in the information sent by direct deposit, the proper way to correct them is to use a reversing entry that follows the same ACH path as the original transmission. This approach is more complex than correcting errors on paper checks

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because the reversal transmission could fail and because the employer will have less time to recognize the error. ACH rules allow an incorrect direct deposit to be reversed within five days of the original payment. The reversal must be of the exact amount as the dollar value originally transmitted. The alternative (one adopted by the Iowa CSC) is to have the employer simply contact the child support entity about corrections and either a) send a check to make up for an under-withholding, or b) request a refund in check form for an over-withholding.

Employer Transition Procedures

When an employer is ready to program and send the first direct deposit, the employer needs to coordinate with the receiving entity so that everyone can track the process and identify any problems. In both Iowa and Nebraska, the literature that is sent to the employer does not contain the bank routing or bank account numbers. Although the inclusion of that information on court orders was recommended by OCSE, both the State of Iowa and all of the Clerks in Nebraska were uncomfortable with the notion of widespread publication of this data. This data could give a knowledgeable reader access to confidential bank account information or permit improper use of the direct deposit option.

Since the court orders describing the wage withholding information do not contain the transit routing information, the employer needs to call the State contact to get the bank information, in order to complete the programming. This step ensures that the bank information only goes to those employers who will actually use it. It also serves to notify the State and the Clerks' offices that an employer is getting ready to implement direct deposit. The detailed procedures developed for each state follow.

Iowa

The following steps have been established to help employers transfer to the direct deposit method.

1. Employer finishes programming.
2. Employer calls State for ACH routing numbers.

Since these numbers are not included in any of the literature sent to employers, they will need to call the State to get the correct numbers. This

will be the State's signal that an employer is nearing completion of the changes needed to transfer to direct deposit.

These values must be entered into fields in the Entry Detail Record:

- Receiving DFI Identification (field 3)
- Check digit (field 4)
- DFI Account Number (field 5)

3. Employer faxes a list of CSC numbers to State for verification.

This step is necessary because some employers may have recorded the wrong number or may not have stored the CSC number at all. A procedure within the State for verifying the list and notifying the employer of any necessary changes should be established.

4. Employer schedules pretest before real transfer.

Employers (and payroll processors) should be encouraged to do a pretest before a live transfer so that the actual movement of child support funds is not delayed due to direct deposit problems. The exact nature of the pretest would depend on the method used. Here are some variations:

a. Employer Faxes List to Bank

A pretest of this method is the least important given that the employer is not transferring any information electronically and that the bank is familiar with the process already. However, if the employer and bank agree, a faxed list of dummy items could be made. The bank would enter them and send the information on to the State where it would be verified against the information originally faxed by the employer.

b. Employer to Bank then Intrabank Transfer of Funds

This is the second least important method to pretest since Norwest does not actually send the funds over an ACH network. However, the State may want to encourage a pretest for the purpose of verifying that the method used by the employer to send withholding information to the bank (via modem, diskette, or tape) works as planned.

c. Employer to Bank then Transfer Over ACH Network

This method definitely deserves a pretest because there are so many potential areas for error. The test should be broken down into three steps: testing the transfer of information from employer to the employer's bank, transfer of information over the ACH network to Norwest, and transfer of information from Norwest to the State. (The last step is least likely to experience any problems since Norwest is already experienced at transferring withholding information to the State.)

d. Employer to Payroll Processor then Transfer Over ACH Network

This method is most prone to error since it adds the step of transmitting the information from the employer to the payroll processor and then to the bank for ACH transmittal. The same steps outlined in item c would apply here.

5. Employer notifies State that test is being sent.
6. Test is sent.
7. If needed, additional work is performed to correct any problems.

If problems are encountered during the test, the State may need to help the employer diagnose them. The best approach is to break the process down into logical components and test them separately. For example, the employer to bank segment could be tested separately, then the bank to ACH network segment, then the ACH to Norwest segment, then the Norwest to State segment.

8. Test process is repeated if major reprogramming is done in previous step.

If a minor problem is noted and corrected, a full pre-test is probably not needed. If reprogramming is needed by the employer/payroll processor, another test is probably a good idea.

9. Employer notifies State that first real transmission is coming.

10. First real transmission is sent.
11. Employer faxes a list of the cases and amounts to State so the first transmission can be audited.
12. State calls the employer to verify accurate receipt of the first real transmission.

Nebraska

1. Employer calls State contact for ACH routing numbers and bank account numbers of the Clerks of the District Court for whom that employer is withholding payments.

Since these numbers are not included in any of the literature sent to employers, they will need to call the State to get the correct numbers. This will be the State's signal that an employer is nearing completion of the changes needed to transfer to direct deposit.

2. State contact will notify each Clerk's office to send a preprinted notice to that employer with the information needed for the CCD+ record. The preprinted notice also includes information about who to contact at each Clerk's office.
3. Employer schedules pretest with each Clerk's office before real transfer.

Employers (and payroll processors) should be encouraged to do a pretest before a live transfer so the actual movement of child support funds is not delayed due to direct deposit problems.

4. Employer notifies Clerk that test is being sent.
5. Test is conducted.
6. If needed, additional work is performed to correct any problems.

If problems are encountered during the test, the State may need to help the employer and Clerk's office diagnose them. The best approach is to break the process down into logical components and test them separately. For example,

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the employer to bank segment could be tested separately, then the bank to ACH network segment, then the ACH to Clerk's bank segment.

7. Test process is repeated if major reprogramming is done in previous step.
If a minor problem is noted and corrected, a full pre-test is probably not needed. If reprogramming is needed by the employer/payroll processor, another test is probably a good idea.
10. Employer notifies the Clerk that first real transmission is coming.
11. First real transmission is sent.
12. Clerk calls the employer to verify accurate receipt of the first real transmission.

Transferring Responsibility to the States

At the close of the project, certain steps were taken to ensure that ongoing marketing of the direct deposit concept could continue. These steps applied in both Iowa and Nebraska:

- *Reprinting written materials.* The printed materials developed during the project were inventoried and re-ordered to ensure that the states had an adequate stock on hand.
- *Training.* PSI staff provided written procedures and on-site training about how to handle employer questions, how to use the written materials, and how to conduct an ongoing marketing campaign.
- *Analysis of prospects.* Each state received a written analysis of the prospects that deserve attention in the months following the close of the project. These prospects included those employers in the process of converting, employers who specifically requested a call-back, and employers who had expressed mild interest at an earlier point in the project.

Technical Issues

- *Adaptation of database.* The database developed for research purposes was adapted for ongoing use by state staff in monitoring direct deposit prospects. Standard reports were developed to make it easy to track follow-up activities. The database was installed on PCs at the state offices and state staff were trained to use it.

CHAPTER VIII

CONCLUSIONS AND OBSERVATIONS

The Ideal Employers for Direct Deposit

Based on interviews and database information, there are certain employer characteristics that will make direct deposit easier to implement in the short term. They are as follows:

Payroll is done in-house

When payroll is done within the company, the payroll director tends to have more control over scheduling enhancements. However, it can also be true that in-house programmers can be overwhelmed with other work and child support direct deposit may fall to the bottom of the list of enhancements. Eventually, when more payroll vendors and processors are able to offer child support direct deposit, the importance of having an in-house payroll system will be minimized.

Stable workforce, minimal seasonal or other turnover

Since it involves the transmission of a substantial number of data elements for each employee, child support direct deposit will only appeal to employers with stable workforces. Temporary agencies, seasonal employers, rapidly expanding companies, and employers with high turnover may be reluctant to implement direct deposit because it would involve rekeying lots of information each time that payroll is run.

Sizable number of withholdings

Only employers with a substantial number of withholdings are likely to be willing to do the programming necessary to implement child support direct deposit. (Again, once payroll processors and vendors can offer the capability, this criterion will become less important.) Many of the small employers interviewed in the course of this project felt that it was much easier to write a check when there were only a few withholdings to monitor.

Interest in innovation

Even some large employers encountered on this project said that they preferred writing checks because it gave them better paper audit trails, was easier to correct, or because they didn't trust EFT. To implement direct deposit of child support, an employer must be both

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able and *willing* to use more advanced methods of funds transfer. This openness to innovation is a quality that is not necessarily related to company size. Many small employers were very interested in the concept but could not justify the investment required to implement it.

Already using direct deposit

We were surprised at the number of large employers who are not using payroll direct deposit. It seems clear that, unless *payroll* direct deposit is used, the employer is very unlikely to be interested in *child support* direct deposit. Once the transfer method is used for payroll, the employer can see first hand the advantages of using EFT. Until that experience is present, it seems that most employers will be unwilling to consider any other direct deposit.

Another consideration for employers is that there is often a one-time charge or minimum charge for direct deposit, plus a per-transaction fee. For example, a typical charge is \$20 for the transmission and \$.15 per item sent. To incur that charge for only child support transmissions may not be viewed as cost effective to an employer. However, an employer who is already transmitting, and already paying the \$20 charge, may see no problem with adding a few additional items at \$.15 per item.

Some part of withholding payment process is manual

Many employers have a payroll process that generates a list of child support withholdings owed to one or more child support entities. Usually that list has to be entered into an automated accounts payable system to generate a check. If any step of that processing is manual, for instance, if the list has to be keyed into an accounts payable system, or if the list is used to type the checks to the child support entities, then that process is more burdensome for the employer and direct deposit is more attractive. Some employers stated that it would not take many more child support withholdings (i.e., from 20 withholdings to 40 withholdings) before they would become very interested in direct deposit as a way to eliminate a manual step. Other employers have an integrated system in which the payroll system feeds data into the accounts payable system. The accounts payable system then generates the check automatically. These employers have less time and personnel invested in handling withholding payments, and therefore an increase in the number of withholdings is less burdensome.

Who to Contact at Employer Sites

Determining who to contact within companies is an issue when calling an employer without a specific reference. (In many cases, it was necessary to have a call transferred within the company as many as three or four times to reach the right person.) Table VIII-1 shows the frequency of titles encountered of appropriate staff with whom to discuss direct deposit. This information may be helpful in future efforts to market direct deposit through mailings and telephone calls.

**Table VIII-1
Most Common Titles**

Title	Count
Payroll supervisor	15
Payroll manager	13
Payroll	12
Accountant	10
Comptroller	6
Office manager	5
Clerk/bookkeeper	4
Accounting manager	3
Human resources manager	3

Use of the CCD+ Format

While the CCD+ format appears to present no particular technical problems, there is the issue of the payroll package and processing vendors who do not currently make it available to employers. As described before, payroll direct deposit - the most commonly used direct deposit function - uses the PPD format and is most likely to be provided by payroll vendors and processors. While the main structure of the CCD and PPD formats are virtually alike, the "+" or addenda record, does not exist in the PPD format. Therefore, payroll package and processing vendors will need to create the structure and storage capability for the

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addenda record in their software. The software vendors will also need to create data entry screens to allow users to enter the data for the addenda record. Another issue that these groups will need to address is making the adjustments necessary to permit multiple direct deposit destinations. Unfortunately, there appear to be no specific industry associations that bring payroll package vendors and processors together to discuss issues like these.

Our recommendation is that the CCD+ format be retained, since it is acceptable to the members of the Working Group and since no major technical difficulties have been encountered by the two employers in Iowa and the employer in Nebraska who are using it. However, outreach to payroll package vendors and processors should continue to explain the reasoning behind this choice. In addition, the issue of how interstate payments will be identified should be resolved prior to national implementation of the CCD+ format.

Use of Employer Notification Services

Many employers subscribe to tax alert services that provide them with ongoing updates about their obligations in terms of withholding and remittance. To be in compliance with local, state, and Federal law, employers of any size or complexity of payroll are almost forced to subscribe to one of these services. Another good way to reach employers is to enlist the cooperation of these services. Following PSI attendance at the American Society for Payroll Management annual meeting, one of these services - Maxwell McMillan's **Payroll Report** (Englewood Cliffs, New Jersey) - published an article about child support direct deposit. Communication should be maintained with these organizations so they can be kept up to date on the progress of national implementation.

Use of Payroll Associations

We also recommend continued work with the American Payroll Association and the American Society for Payroll Management (and any other national or local payroll associations interested in direct deposit). The conventions and annual meetings of these organizations are an excellent way to meet payroll directors from major national employers. Any effort to announce national implementation of child support direct deposit can, for example, be made with the assistance of these organizations, both of which support the concept.

National Implementation

Based on our experience with child support direct deposit in Iowa and Nebraska, we believe that the single most important step that can be taken to ensure widespread use of the concept by employers is to require that all child support entities receiving funds from employers be able to do so electronically.

This is not as forbidding a concept as it sounds. All a child support entity has to do to receive child support electronically is to maintain a separate bank account for that purpose. As described in Chapter VII of this report, the bank can provide information about the deposits in the form of a printed statement. No electronic interface with the bank is required at the most basic level of child support direct deposit.

The steps involved in preparing to receive direct deposits would include:

- Establish a separate bank account at a bank that can receive ACH transfers.
- Make arrangements with the bank for the transfer of information about the deposits (paper or electronic).
- Establish procedures to post the information from the bank, whether it is electronic or on paper.
- Change the court orders used to notify employers about withholding so they clearly state that direct deposits are an option.
- Have available printed material for employers (and banks) that describes the special CCD+ format that must be used.

Until many jurisdictions are able to receive direct deposit, employers - especially national employers - will be reluctant to adopt the new payment method. It is just too confusing for employers to remit to some entities in electronic form and to some using paper checks.

Importance of Outreach to Payroll Package and Service Vendors

As described before, it is important to maintain communication with the many companies who provide payroll software to process payroll for employers. As the payroll process becomes increasingly more complex, many employers have started to look to outside sources

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for assistance. At the same time, payroll packages (even those that operate on personal computers) are becoming more sophisticated and less expensive. As is true throughout all aspects of business, employers will increasingly look for package solutions and "out-sourcing" to reduce the high costs of maintaining internal software systems.

Importance of Central Payment Registries in EFT

It is also clear that, when a central payment registry exists in a state, employers will be more likely to implement child support direct deposit. Because it consolidates remittance activities into a single, central location, a central registry can increase the number of payments that can be made using electronic transfers. In states where employers continue to remit withholdings to multiple state or court addresses, the incentive for direct deposit use is less. Some states are considering centralization of employer payments, while leaving receipting of other payments as a local function.

Development of PC Package for Small Employers

One idea that OCSE may wish to pursue is to fund development of a simple, PC-based software program designed to store and transmit child support direct deposit information. If priced low enough, this option might be attractive to the smaller employers who are unlikely to have the critical mass of payors necessary to make direct deposit programming worthwhile. This approach might also be attractive to employers who have sophisticated software systems that cannot be easily adapted to carry the fields necessary for child support direct deposit.

The PC package would hold, from month to month, the information about employees and support orders that must be transmitted as part of the special addenda record. When payroll is done, the employer would simply change the amount and paydate for each employee. The resulting updated file could either be transmitted to the employer's bank or delivered on diskette. The bank would then process the direct deposit using that information.

The Impact of the 1994 Requirements

Employers are just becoming aware of the Federal laws requiring use of employer withholding for all (not just IV-D) new child support orders beginning in 1994. In the

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course of telephone interviews and site visits, this issue came up frequently. Employers will be more likely to begin to use direct deposit if the number of employees for whom they must withhold funds increases.

This is particularly true for employers whose employee population has a large number of child support cases now handled outside the IV-D program. An example is Principal Financial. This Iowa company currently withholds for only about 40 individuals out of a payroll of about 11,000. The low proportion of current withholdings is attributed by the company to the makeup of its staff. Insurance companies have a large proportion of white collar workers, who are statistically more likely to pay child support voluntarily and who are less likely to have ex-spouses on AFDC. If it is true that Principal Financial will have to start withholding for all new child support orders in 1994, the number of transactions might increase sharply.

When OCSE begins to describe the 1994 requirement to employers, it will be important to make the direct deposit option part of the message. Increasing the number of withholdings will not be welcomed by employers, but if an easy, electronic method of funds transfer is also provided, the burden can be lightened.

Conclusion

As previously stated, the process of building the initial momentum necessary for large-scale use of employer direct deposit has been time-consuming. Because direct deposit is a new idea, numerous contacts have been required to make employers aware of the option, to address their concerns, and to facilitate the implementation process. There are, in addition, some minor problems with the CCD+ format (most notably the interstate issue) that need to be addressed prior to publishing the new national standard.

However, we believe that the future of child support direct deposit is very bright. Once a critical mass of child support entities able to receive direct deposit is reached, national employers will become involved. The high level of interest shown by major payroll processors and payroll package vendors is another promising sign. Direct deposit of employer-withheld child support is an idea whose time is quickly arriving.

In conclusion, we strongly encourage OCSE to persist in their efforts to promote direct deposit and to refine the CCD+ format. Despite their many differences, the employers contacted in Iowa and Nebraska were united in one way: they are all seeking ways to reduce the time and cost of meeting the many payroll-related withholdings now required by

Chapter VIII

government entities. Direct deposit is an excellent way of addressing both that employer goal and the parallel desire to reduce processing overhead at child support entities.

APPENDIX A

CCD + RECORD FORMAT AND FIELD SPECIFICATIONS

**CHILD SUPPORT APPLICATION
ADDENDUM CONVENTION**

CHILD SUPPORT APPLICATION ADDENDUM CONVENTION

1. Purpose and Scope

The child support application addendum convention contains the format, definitions, and implementation suggestions for employers to pay child support withholding via the ACH to the appropriate state or county. This convention is for use within the National Automated Clearing House Association's (NACHA) CCD+ format. The convention is carried within the 80 character free form field of the addendum record. The child support payment convention provides employers with a method to pay child support withholding electronically by originating an ACH credit.

2. Background

In 1975, the Federal/State Child Support Enforcement program was established to:

- o ensure that children are supported by their parents,
- o foster family responsibility, and
- o reduce the costs of welfare to the taxpayer.

Under additional federal legislation enacted in late 1988, income withholding became mandatory for the absent parent who is one month in arrears on child support payments. Effective November 1, 1990, income withholding is mandatory for all new and modified cases where the state collects child support payments either at the request of the custodial parent, or because the custodial parent receives state-administered welfare benefits, i.e., IV-D cases. Beginning January 1, 1994, income withholding becomes mandatory for all new and modified non-IV-D (private) child support cases. Since passage of the above Child Support Enforcement Amendments, income withholding has become an important child support collection tool. Preliminary statistics indicate that 37 percent of collections made during Fiscal Year 1989 were a result of income withholding, a percentage that will increase given the legislative requirements.

With the requirement that child support obligations be collected through income withholding, the workload will increase for both employers and child support receiving agencies. (A child support receiving agency refers to the entity responsible for collecting and/or posting IV-D child support payments such as a State or local child support enforcement agency, a court, or a central collection center.) Currently, employers often submit one check with an attached list that indicates the obligors' names and amount withheld from each of them. In turn the child support receiving agency has the laborious task of posting the single payment for multiple child support enforcement cases.

In 1987, the Office of Child Support Enforcement (OCSE) awarded a grant to the States of Iowa and Nebraska to assess the potential benefits of EFT technology in a child support enforcement setting. The concept of implementing EFT/EDI for income withholding originated from work conducted under the grant — the Iowa/Nebraska EFT Project. Realizing that this concept had national significance, in 1990 OCSE began working closely with the Bankers' EDI Council, child support enforcement agencies, employers, and the payroll industry to develop the Child Support Application for use in the ACH.

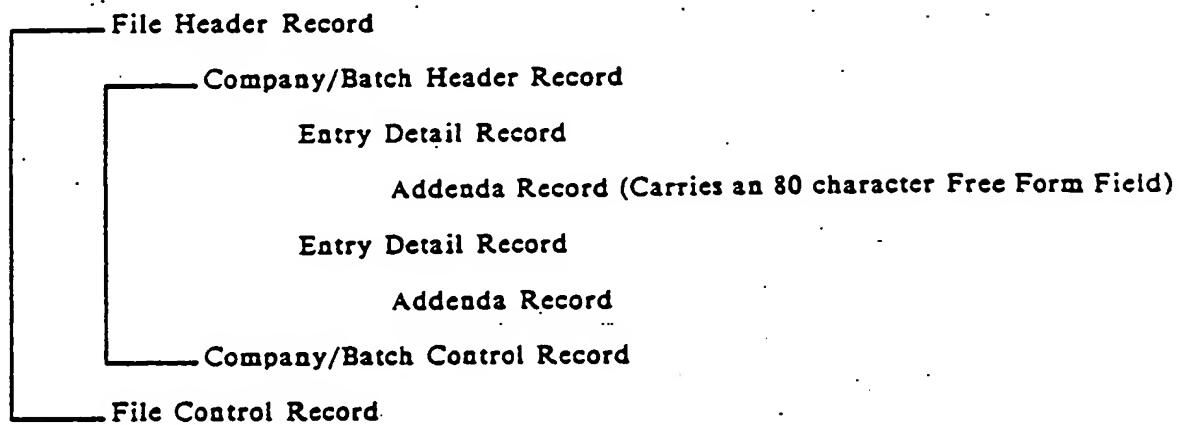
OCSE distributed an EFT/EDI Work Group Report to the state child support agencies to provide them with background on the preliminary work on the proposed convention. The state child support agencies were asked to review the proposed data requirements and provide comments and suggestions. Upon receipt of these responses the data requirements for the proposed convention were finalized.

3. Convention Specifications

The convention specifications and implementation considerations are specified as follows:

3.1 NACHA Record Formats

NACHA record formats for CCD+ entries flow in the following order:



The following sections (3.2 - 3.5) contain NACHA formats and footnotes; where applicable, explaining and specifying how fields are to be utilized in conjunction with the child support convention. For more specific information on NACHA formats, specifications and definitions, refer to the NACHA rule book.

3.2 File Level Records

FILE HEADER RECORD

FIELD	1	2	3	4	5	6	7	8	9	10	11	12	13
DATA ELEMENT NAME	RECORD TYPE CODE	PRIORITY CODE / IMMEDIATE DESTINATION	IMMEDIATE ORIGIN	TRANSMISSION GATE	TRANSMISSION TIME	FILE ID NUMBER	RECORD COUNT	BLOCKING FACTOR	FORMAT CODE	IMMEDIATE DESTINATION NAME	IMMEDIATE ORIGIN NAME	REFERENCE CODE	
File Address Assignment	M	R	M	M	M	0	M	M	M	M	M	0	
Comments							UPPER CASE ALPHABETIC NUMERIC 0-9		T				
Lapse	1	1-2	10	10	6	4-5	1	3	2	1	23	23	
Period	01-01	02-02	04-13	14-23	24-29	29-33	34-34	35-37	38-39	40-40	41-42	04-06	

FILE CONTROL RECORD

FIELD	1	2	3	4	5	6	7	8
DATA ELEMENT NAME	RECORD TYPE CODE	BATCH COUNT	BLOCK COUNT	ENTRY ADDRESS CODE	ENTRY NAME	TOTAL CREDIT ENTRY DOLLAR AMOUNT IN FILE	TOTAL CREDIT ENTRY DOLLAR AMOUNT IN FILE	RESERVED
File Address Assignment	M	M	M	M	M	M	M	MCA
Comments	T	Reserve	Reserve	Reserve	Reserve	XXXXXXXXXX44	XXXXXXXXXX44	Reserve
Lapse	1	6	6	6	10	12	12	30
Period	01-01	02-02	03-13	14-01	29-29	33-03	44-46	54-64

3.3 Company/Batch Level Records

COMPANY/BATCH HEADER RECORD

FIELD	1	2	3	4	5	6	7	8	9	10	11	12	13
DATA ELEMENT NAME	RECORD TYPE CODE	SERVICE CLASS CODE	COMPANY NAME	COMPANY DICTIONARY DATA	COMPANY IDENTIFICATION	STANDARD ENTRY CLASS CODE	COMPANY ENTRY DESCRIPTION	COMPANY DESCRIPTIVE DATE	EFFECTIVE ENTRY DATE	SETTLEMENT DATE (JULIAN)	GENERATOR STATUS CODE	GENERATOR ON IDENTIFICATION	BATCH NUMBER
File Number/Account	M	M	M	0	A	M	M	0	A	0000000000000000	M	M	R
Customer	T	Numbers	Numbers	Alphanumeric	Alphanumeric	Alphanumeric	Alphanumeric	TTMMDD	Numbers	Alphanumeric	TTTTAA	Numbers	
Line#	I	3	16	20	10	3	10	0	6	3	1	6	7
Period	01-01	02-04	05-28	21-40	41-50	51-62	54-63	64-65	70-75	70-75	70-75	80-87	88-94

COMPANY/BATCH CONTROL RECORD

FIELD	1	2	3	4	5	6	7	8	9	10	11	12	13
DATA ELEMENT NAME	RECORD TYPE CODE	SERVICE CLASS CODE	ENTRY ADDRESS COUNT	ENTRY PAGE	TOTAL DEBT ENTRY DOLLARS AMOUNT	TOTAL CREDIT ENTRY DOLLARS AMOUNT	COMPANY IDENTIFICATION	MESSAGE AUTHENTICATION CODE	RESERVED	GENERATOR ON IDENTIFICATION	BATCH NUMBER		
File Number/Account	M	M	M	M	M	M	R	0	N/A	M	R		
Customer	T	Numbers	Numbers	Numbers	0000000000000000	0000000000000000	Alphanumeric	Alphanumeric	Numbers	TTTTAA	Numbers		
Line#	I	3	6	10	12	12	10	10	6	6	6	7	
Period	01-01	02-04	05-10	11-20	21-32	33-44	45-54	55-72	74-79	80-87	88-94		

3.4 Entry Detail Level Records

ENTRY DETAIL RECORD

FIELD	1	2	3	4	5	6	7	8	9	10	11
DATA ELEMENT NAME	RECORD TYPE CODE	TRANSACTION CODE	RECEIVER DPC IDENTIFICATION	CHECK DRAFT	DR ACCOUNT NUMBER	AMOUNT	RECIPIENT IDENTIFICATION NUMBER	INDIVIDUAL NAME	INCENTIVE DATA	ADDENDA RECORD INDICATOR	TRACE NUMBER
Line	M	M	M	M	R	M	0	R	0	M	M
Comments	T	REMOVED	TTTTAAAA	REMOVED	REMOVED	REMOVED	REMOVED	REMOVED	REMOVED	REMOVED	REMOVED
Length	1	2	1	1	17	10	15	22	2	1	15
Format	01-41	02-43	04-11	12-12	13-29	30-39	40-44	55-70	77-79	79-79	80-84

ADDENDA RECORD

FIELD	1	2	3	4	5
DATA ELEMENT NAME	RECORD TYPE CODE	ADDRESS TYPE CODE	FROM FNAME	SPECIAL ADDENDA SOURCE NUMBER	ENTRY DETAIL SOURCE NUMBER
Line	M	M	0	M	M
Comments	T	REMOVED	REMOVED	REMOVED	REMOVED
Length	1	2	00	4	7
Format	01-41	02-43	04-43	04-47	00-04

1 This field carries the remittance information in the DED format (see Section 3.5).

3.5 Child Support Application Addendum Convention

<u>Field Name (Data Elements & Separators)</u>	<u>Field Requirements</u>	<u>Data Element Type</u>	<u>Min/Max Use</u>	<u>Contents</u>
Segment Identifier				DED
Separator				*
Application Identifier	M	ID	2/2	CS
Separator				*
Case Identifier Separator	M	AN	1/20	XXXXXXXXXXXX
Pay Date	M	DT	6/6	YYMMDD
Separator				*
Payment Amount	M	N2	1/10	\$\$\$\$\$\$\$cc
Separator				*
Absent Parent SSN	M	AN	9/9	XXXXXXXXXXXX
Separator				*
Medical Support Indicator	M	AN	1/1	X
Separator				*
Absent Parent Name	O	AN	1/10	XXXXXXXXXXXX
Separator				*
FIPS Code	O	AN	5/7	XXXXXXX
Segment Terminator				\

3.6 Definitions

Absent Parent SSN The absent parent Social Security Number data element provides the child support receiving agency with the obligor's Social Security Number.

Absent Parent Name The absent parent name data element indicates the first seven letters of the obligor's last name followed by the first three letters of the obligor's first name.

AN The string type data element is symbolized by the representation, AN. Contents of string data elements are a sequence of letters, digits, spaces and/or special characters. The contents shall be left-justified. Trailing spaces should be suppressed unless they are necessary to satisfy a minimum length requirement.

Application Identifier The application identifier indicates the type of deduction being withheld from an employee's pay. The identifier consists of two uppercase letters and/or digits.

Case Identifier The case identifier data element is the IV-D case number or court order number. The child support receiving agency can use its discretion in determining which number to use.

DT The date type data element is symbolized by the representation, DT. Format for the date is YYMMDD. YY is the last two digits of the year (00-99), MM is the numeric value of the month (1-12), and DD is the numeric value of the day (1-31).

Data Element Type The Data Element Type identifies the type of information contained in the data element (field). For instance, AN, ID, DT, N2.

Field Requirement The field requirement of a field (data element) indicates whether the field is mandatory (M) or optional (O).

FIPS Code The Federal Information Process Standard (FIPS) code is 5 characters when indicating both the state and county codes. It is 7 characters when indicating state, county, and local codes.

ID The identifier type data element is symbolized by the representation, ID. An identifier data element shall always contain a value from a predefined list of values.

Mandatory (M) This field (data element) shall appear in the convention.

Medical Support Indicator The medical support indicator indicates whether the obligor has family medical insurance coverage available through their employer. If medical insurance coverage is available a "Y" is placed in the field; if there is no coverage available an "N" is placed in the field.

Min/Max Use The min/max use of a field specifies the minimum and maximum length of a particular field. For example, 1/6 indicates that this data element must carry at least one character, but not more than 6.

N2 The numeric type of field (data element) is represented by the two-position representation, N2. N indicates numeric and 2 indicates the decimal places to the right of a fixed, implied decimal point. The decimal point is not transmitted. It is intended that this number will always be positive for the child support application addendum convention. In this convention the amount fields are defined as N2 type data elements. Thus, \$550.00 would look as follows *55000*.

Optional (O) The appearance of this field (data element) is either at the option of the sending party (originator) or is based on the mutual agreement of the originator and receiver.

Payment Amount The payment amount data element indicates the obligor's withholding amount for this pay period being paid to the child support receiving agency. The payment amount field should always contain cents (cc).

Pay Date The pay date data element provides the obligor's pay date; the date of the income withholding.

Segment Identifier The segment identifier serves as the name of the segment. The identifier occupies the first character positions of the segment and consists of two or three uppercase letters and/or digits.

Segment Terminator Each segment ends with a segment terminator (\). The terminator denotes the end of the segment.

Separator The separator or data element separator is used to separate fields (data elements) within a segment. The character to be used as a separator is the asterisk (*).

APPENDIX B

IOWA BROCHURE

**Direct Deposit of
Child Support**

National standards for direct deposit

To make direct deposit as convenient as possible for employers, national standards have been created for the computer file format and transfer process. This means that the enhancements you make to your computer system now will make it possible to use direct deposit to transfer child support funds to agencies in other states and counties in the future.

For more information

- Use the attached business reply card to request an Implementation Packet
- Call us at (515) 281-6389

Collection Services Center
P.O. Box 9125
Des Moines, IA 50306-9125
Attention: Ms. Joan Searie

Send to:

An Introduction for Employer

Return Address:

Court-ordered child support makes a major contribution to the well-being of millions of children. Employer withholding is one of the most effective ways to collect child support. Now Iowa employers are being given the opportunity to make those payments using direct deposit.

Withholding child support

Like other Iowa employers, you receive court orders indicating that child support must be withheld from employee paychecks. Federal law requires that employers withhold child support for all new or modified child support orders that are collected by the State of Iowa.

There are now three ways to transfer these funds to the Iowa Collection Services Center (CSC):

- Mail a separate check for each employee.
- Mail one check and a list indicating the employee names and the dollar amount withheld for each employee.
- Use direct deposit to transfer funds and information electronically to a special CSC account.

Using direct deposit

"Direct deposit" (a form of electronic funds transfer) can be used to transfer child support directly into the CSC account. At the end of each pay period, your computerized payroll system or payroll processor can build an electronic file listing the employees' and child support amounts withheld. The file can then be transferred electronically to your bank which will withdraw funds from your account and transfer them to the CSC account.

Direct deposit benefits employers
Because direct deposit eliminates the need to create and mail paper checks, the withholding process is faster and less expensive.

Direct deposit benefits Iowa

The manual processing of child support withheld by employers is also expensive for the State of Iowa. Your use of direct deposit will help to control processing costs and ensure that support reaches Iowa children quickly.

Adjustments to your payroll process

If you want to use direct deposit, you or your payroll processor will need to create an electronic list of employees and their payments, as well as other information required to authorize the transfer of funds. It will also be necessary to arrange for your bank to receive and process the information.

If you are already using direct deposit for other payments, changes to your payroll process will probably be minimal. If you are not using direct deposit, you can add that function to your payroll process for transfer of child support funds. In either case, we will provide assistance during the implementation phase.

(Detach and mail)

Please send more information about using direct deposit to transfer child support funds.

We are already using direct deposit for other purposes: yes no
We do our payroll: in-house through a payroll processor

Your company name _____

Your contact name/title _____

Your mailing address _____

Your telephone number _____

Information requested by _____
(name/title)

APPENDIX C
IOWA IMPLEMENTATION PACKET



DEPARTMENT OF HUMAN SERVICES

TERRY E. BRANSTAD, GOVERNOR

CHARLES M. PALMER, DIRECTOR

Dear Employer:

Thank you for requesting a Direct Deposit Implementation Packet.

Enclosed you will find the information needed to implement direct deposit of child support withholding. A planning checklist is included, as well as technical specifications to be used by your programming staff and a list of topics to discuss with your bank. We have also enclosed an evaluation form to be mailed when the implementation process is complete.

We welcome any questions that you might have about the implementation process. Please call us at (515) 281-6389 for more information.

We very much appreciate your interest in direct deposit and look forward to working with you during the implementation phase.

Sincerely,

A handwritten signature in black ink, appearing to read "James C. Hennessey".

James Hennessey, Chief
Bureau of Collections



DEPARTMENT OF HEALTH & HUMAN SERVICES
ADMINISTRATION FOR CHILDREN AND FAMILIES

THE EFT/EDI PILOT PROJECT
FOR CHILD SUPPORT ENFORCEMENT

We are encouraging your participation in an innovative and exciting national initiative involving wage withholding and the electronic transfer of funds and data. This project is sponsored by the Office of Child Support Enforcement (OCSE) of the U. S. Department of Health and Human Services in conjunction with the National Automated Clearing House Association (NACHA) and endorsed by the American Payroll Association. OCSE is charged with overseeing the Federal/State Child Support Enforcement Program.

What is the Child Support Enforcement Program?

The Program was established in 1975 as Title IV-D of the Social Security Act. Its purpose is to:

- ensure that children are supported by their parents;
- foster family responsibility; and
- reduce the costs of welfare to the taxpayer.

The Program functions in all States and territories. It is usually administered through State and county social services departments, though many States have agreements with prosecuting attorneys, other law enforcement agencies, and family or domestic relations courts to carry out the Program at the local level.

Why should I be concerned with Child Support Enforcement?

To ensure that support money regularly and reliably gets to the children for whom it is destined, the Family Support Act of 1988 mandates immediate wage withholding for most new child support orders beginning in 1994. (For those cases in which the custodial parent is receiving services from the State Child Support Enforcement Program, the effective date for mandatory withholding was November 1, 1990.) This new provision of the law will not only have an impact on the Child Support Enforcement (CSE) agencies administering the Program but will directly affect most employers as well. Employers will be required to withhold wages and remit payments and payment information to the CSE agencies. Payments may go directly to custodial parents as well, depending on individual States' method of administration.

What is the national initiative for all noncustodial parents in my employ?

The initiative is known as the Electronic Funds Transfer/Electronic Data Interchange (EFT/EDI) Pilot Project. EFT and EDI technologies are combined in this initiative to electronically transmit both payments and payment related data from employers to CSE agencies. Over the past decade, EFT has thrived in the financial world and EDI has gained acceptance in virtually all industries as a means to transmit purchase orders, shipping information, invoices, and other business documents.



DEPARTMENT OF HEALTH & HUMAN SERVICES
ADMINISTRATION FOR CHILDREN AND FAMILIES

How is EFT/EDI technology applicable to child support enforcement?

Use of electronic funds transfer and data interchange can provide a seamless flow of collections and information from employer to the CSE agency and child support recipient. The simultaneous transmission of wage withholdings and related case data using EFT and EDI will improve both the accuracy and speed of child support collections. OCSE in conjunction with the National Automated Clearing House Association, bankers, payroll associations, and employers, has developed a standard format for transferring both wage withholding payments and the related data. This standardization should diminish many problems now encountered by employers who must respond to multiple States' varying data needs.

What is the purpose of the EFT/EDI Pilot Project?

The purpose of the Project is to:

- establish, test, and refine the process; and
- demonstrate how EFT/EDI can boost both State CSE agencies' and employers' efficiency in implementing immediate wage withholding, alleviating much of the anticipated workload associated with the legislatively mandated, universal application of wage withholding to all child support cases.

Is there any prior experience with EFT/EDI in child support wage withholding?

Since 1990, OCSE has been sponsoring an EFT demonstration project in Iowa and Nebraska. The overall assessment of using EFT to deposit employees' child support payments was that the benefits exceed the costs. Even though this method of transferring child support payments has a very short history, employers believed that the eventual savings, particularly in terms of staff time, would greatly exceed the programming costs and operational and logistical problems associated with modifying their automated payroll systems.

What benefits to the employer have been found in the EFT demonstration project?

Prior to EFT, one employer reported writing individual checks for each affected employee. The need to type the check; verify, review and approve the check amount; enter the information into the payroll and/or accounting system; and then mail the checks and other information (e.g., case number) to the CSE agency was labor intensive, sometimes costing more to process than the amount of the check. Other benefits were reported in faster transmission of information, less room for error (e.g., wrong amount typed on the check, loss of the check in the mail), and, for one employer, reduced bank charges related to the transactions.

What are the costs of EFT/EDI to the employer?

The initial, one-time programming costs necessary to set up their system to accommodate EFT appeared to be the greatest cost to employers. When employers—who participated in the Iowa/Nebraska demonstration project—were asked to estimate these costs, the estimates ranged from a low of approximately \$1,600 to a high of about \$9,500. This large range in costs most likely reflects several factors:



**DEPARTMENT OF HEALTH & HUMAN SERVICES
ADMINISTRATION FOR CHILDREN AND FAMILIES**

- the size of the company;
- the degree of automation;
- the extent of the system changes required (less when the payroll system is already programmed to perform functions electronically, such as direct deposit of wages to employee accounts); and
- whether the change is being made for all employees whose wages are being withheld to meet child support payments, or only a few (e.g., in Nebraska the EFT project involved only one county).

Aside from the programming costs, most of the other direct costs (e.g., ongoing system maintenance costs, bank charges) and opportunity costs (e.g., loss of float on the wage withholdings) were mentioned by employers as being very minimal.

What is the incentive for my company to establish EFT/EDI?

Implementing EFT/EDI will minimize paperwork, enhance the productivity of employees who may be child support recipients, and most importantly, will ensure that children do not go without the basic necessities of life.

Checklist

START HERE!

Use this planning checklist to implement direct deposit of child support withholding. Activities should be conducted in the order shown.

Activity	Comments	Date Scheduled	Date Done
Read "Information for Employers"			
Meet with programming staff	Give them "Information for Your Programmers"		
Meet with your bank	Give them "Information for Your Bank"		
Make programming changes			
Test process	Prior to prenote		
Develop written procedures	Include a schedule and backup procedures		
Conduct prenote	At least 10 days prior to first transmission		
Monitor first transmission			

Information for Employers

Court-ordered child support makes a major contribution to the well-being of millions of children across the United States. Employer withholding is one of the most effective ways to collect child support. Now employers withholding child support for workers in Iowa can make those payments using direct deposit.

This part of the Implementation Packet describes in general terms the steps that must be taken to initiate direct deposit of child support. Please read this document before proceeding with the implementation of direct deposit.

Background information about child support withholding

Federal law requires that employers withhold child support for all new or modified child support orders collected through state and county governments. There are three ways to transfer these funds to the Iowa Collection Services Center (CSC):

- o Mail a separate check for each employee.
- o Mail one check and a list indicating the employee names and the dollar amount withheld for each employee.
- o Use direct deposit to transfer funds and information electronically to a special CSC account.

Using direct deposit. "Direct deposit" (a form of electronic funds transfer) can be used to transfer child support directly into the CSC account. At the end of each pay period, your computerized payroll system can build an electronic file listing the employees and child support amounts withheld. The file can then be transferred electronically to your bank which will use it to withdraw funds from your account and transfer them to the CSC account.

Direct deposit benefits employers. Because direct deposit eliminates the need to create and mail paper checks, the withholding process is faster and less expensive. Federal law may require that, beginning in 1994, all child support payments (including those not handled by the State of Iowa) be collected through income withholding. This law could substantially increase the number of employees for whom you must withhold child support. Implementing direct deposit now will reduce the potential impact of this future requirement.

Employee permission is not needed. The withholding of child support is mandated by court order. However, the mechanism used to transfer those funds to the CSC is the choice of the employer. It is not necessary to obtain permission from employees before using direct deposit.

There are three major steps in implementing direct deposit of child support: adapting the payroll system, coordinating with your bank, and testing the process.

Programming changes

To implement direct deposit, a programmer will have to create the data structure and process needed to build a transmission file.

The magnitude of changes. Since you are already using direct deposit for other payments, changes to your data processing system will probably be minimal. However, we are prepared to assist you or your staff by answering any technical questions that arise.

The issue of record and file structure. Information about the employee, the court order, and the payment must be transmitted electronically to the bank in a specific format. National standards have been developed for child support direct deposit records and files. A copy of those standards is enclosed for use by your programmers.

Coordinating with your bank

Since you are already using direct deposit for other payments, your bank is accustomed to receiving electronic transmissions of information from your company. However, the addition of direct deposit of child support raises several new issues:

- o The bank will need to know about the required format of the child support record and file. For example, each employee record will always be followed by something called an "addenda record." Your current direct deposit functions may not use addenda records.
- o You should discuss the logistics of the transmission with the bank. Is a modem to be used or a magnetic tape? How often will the transmission be made? How often will you transmit information to the bank: monthly, bi-monthly, weekly?

- o Reporting should be discussed. Will you want the bank to prepare a report for you showing the information about child support that was transmitted? Is the bank currently preparing reports for you for other direct deposit functions or will this be a new function?

We have included a document in this folder called "Information for Your Bank" to use when you meet. It will describe the child support withholding process in more detail and answer many of the questions the bank will have about this new procedure. Enclosed as part of "Information for Your Bank" is an agreement summary sheet to help you document the decisions made in your meeting. We will also be happy to talk directly to your bank if there are additional questions to be answered.

Testing the process

When your programmers have finished the necessary changes to your payroll system, it will be possible to do a test transmission of child support withholding. This must be coordinated with your bank. You will need to establish a time and date for the transmission and create test data. Based on the results of this test, some additional revisions may need to be made to your payroll system or to the bank's data processing system. You should continue to test the process until both you and your bank are satisfied that the information is being transferred in a complete and accurate manner.

Conducting a prenote

A one-time process called a "prenote" (prenotification) is often conducted prior to the first live transmission as an additional test of the direct deposit process. A prenote simulates a future live transmission and contains zeros in the "amount" fields. Although a prenote is optional for this type of transmission, it is recommended. Additional information about the prenote process is included in "Information for Your Programmer." The prenote must take place at least ten days prior to the first live transmission.

Written procedures

It is important that written procedures be developed describing the process of direct depositing child support. Schedules and procedures should be included.

Evaluation form

Please take a moment to complete and mail the evaluation form enclosed in this packet. Your comments about the implementation process will help us improve the assistance and materials we provide to other employers.

For more information, call (515) 281-6389

Recent federal legislation requires employers to withhold more child support payments from employees' wages in the coming years. As the number of withheld child support payments grows, the demand upon payroll processing staff will grow. The ability to transfer these payments by direct deposit will ease processing these payments, particularly in the future.

This part of the Employer Direct Deposit Implementation Packet describes the programming requirements for implementing direct deposit of wage withheld child support payments. There are four general steps for implementing the direct deposit:

- o Identify sources of required data,
- o Modify your payroll system,
- o Test the new transmission process,
- o Document the direct deposit process.

The specific steps necessary to find the necessary data, modify your system to create an electronic funds transfer (EFT) file, and transmit that file to your bank, will vary depending upon the type of payroll system you have and the method you use to transmit information to your bank.

At the end of this document you will find detailed descriptions of the record formats for sending Automated Clearing House (ACH) transactions, including the Child Support Addendum Convention.

Identify Sources of Required Data

Direct deposit child support payments use the CCD+ (Cash Concentration and Disbursement) format which contains one entry detail record and one addenda record per payment. Most data will be the same as that which you are currently using for other direct deposit applications. However, the layout of the addenda record for child support is very specific. The addenda record has an 80 character free form field which will carry the specific case information required by the Collection Services Center (CSC) for posting the payment. The data required for the addenda record include the following:

- The obligor's unique case identifier. You can find this number on the court order which requires you to withhold the child support payment.
- The pay date — the actual date the money will be withheld, equal to the date of payroll.
- The payment amount.
- The obligor's social security number.
- The medical support indicator. This is a "Y" or "N" depending upon whether the employer's health plan offers dependent medical coverage.

There are two optional data elements included in the addenda record. They are:

- The obligor's name. This should be on your computer system, and would be helpful for the receiving agency if you are able to include it.
- The Federal Information Process Standard (FIPS) code. While the FIPS code isn't actually in use yet, it will be used in the future. You may find it most convenient to plan for it now, whether that means building a table to store FIPS codes, or creating the space for entering the code. When it becomes necessary in the future, the correct FIPS code will be provided on the original court order requiring you to withhold the child support.

Modify Your Payroll System

The modifications necessary will depend upon your payroll system and the method you use to transmit files to the bank.

Many direct deposit transactions take place using the ACH Prearranged Payments and Deposits (PPD) format. However, direct deposit of child support uses the Cash Concentration or Disbursement plus an addenda record (CCD+) format. If you are not currently using the CCD+ format, you will find a few differences in the data required for the header and control records. In addition, there is an addenda record which follows the entry detail record. We have included a detailed description of the CCD+ format, including appropriate default field entries. This description is presented graphically along with examples and a blank record you can use as a worksheet.

One way to analyze what this new process will require of you would be to print out a current direct deposit transmission file. You can then use that printout to fill in the worksheet for the CCD + format. Filling in the worksheets this way will help you identify what data elements may not exist in your system, and raise any other issues you may need to address. There are some key points to keep in mind:

1. How will the process retrieve the existing data?
2. Where will the new data (such as the medical support indicator) be stored?
3. How will the new process fit into the existing system? For example, will you need to generate reports of this transaction? Will you need to provide for other record-keeping capabilities?

Test the New Transmission Process

Once all the pieces are in place, you will want to test the process, including the transmission. We suggest the following steps:

1. Run an in-house test of the new process.
2. Print out the new file for a visual check.
3. Arrange a specific time with your bank to send a test transmission with test data.
4. Run another test, this time to transmit to the bank.
5. Send the transmission to your bank.
6. Talk with someone at your bank who can verify the transmission, and who can actually verify the file.

Document the Direct Deposit Process

Once you have tested the process successfully, write the instructions for processing the direct deposit to include with your other documentation. If you have a procedure for documenting new applications, you will want to follow that, of course. However, if you don't have such a procedure you could use the following list.

Include in your documentation:

1. Where and when in the payroll process the file is created that will be transmitted to the bank.
2. All of the steps involved in creating the file and transmitting it to the bank.
3. How the bank responds to the transmission — whether the response is a paper report, or a phone call verifying the transmission.
4. What type of records of the transmission — electronic and/or paper — are kept and the procedure for storing them.
5. Contingency plans for different situations, such as when a bank holiday falls on a payroll date, or if the transmission doesn't work.
6. Names and phone numbers of contacts for troubleshooting (i.e., the ACH representative at the bank).

CCD+ Format and Child Support Addenda Record

The structure of the file and records used for direct deposit of child support will be similar to ones used for other direct deposit applications. That structure is as follows:

File Header Record	<i>see page 6</i>
Company/Batch Header Record	<i>see page 7</i>
Entry Detail Record	<i>see page 8</i>
Addenda Record	<i>see pages 9-11</i>
Entry Detail Record	<i>repeating record</i>
Addenda Record	<i>repeating record</i>
Entry Detail Record	<i>repeating record</i>
Addenda Record	<i>repeating record</i>
Company/Batch Control Record	<i>see page 12</i>
File Control Record	<i>see page 13</i>

The pages that follow have detailed descriptions of each of these record formats. Most likely you will not need to create all these record files. Often banks will create the header and control records, or supply software that will create those records for you. However, as you work with the bank to implement direct deposit of child support, it may be helpful to know what goes into a CCD+ transaction.

Along with the record formats, you will find a separate description of the 80 character free form field in the Addenda Record which is used to carry the specific child support payment information. This description includes data element definitions and format requirements.

All record formats, except for the Addenda Record format, are taken from the 1991 ACH Rules, published by the National Automated Clearing House Association. Any further information you may need should be available from your bank ACH representative.

RECORD FORMAT - FILE HEADER RECORD - Total Length: 94

Field	1	2	3	4	5	6	7	8	9	10	11	12	13
Date Element Name	Record Type	Priority Code	Immediate Destination	Immediate Origin	Transmission Date	Transmission Time	File ID Modifier	Record Size	Blocking Factor	Format Code	Immediate Destination Name	Immediate Origin Name	Reference Code
Field Institution Requirement*	M	R	M	M	M	0	M	M	M	M	M	M	0
Content	'1'	'01'	BITTTAAAC	BITTTAAAC	111000	MMNN	Upper Case A - Z Numeric 0 - 9	'004'	'10'	'1'	Alphanumeric	Alphanumeric	Alphanumeric
Length	1	2	10	10	6	4	1	3	2	1	23	23	6
Position	01-01	02-03	04-13	14-23	24-29	30-33	34-36	35-37	38-39	40-40	41-63	64-66	67-68

* M = Mandatory: necessary to transmit record through ACH network.

R = Required: not necessary to transmit through ACH, but may be necessary at receiving institution (the RDFI).

O = Optional: up to the discretion of the originator (in this case, the employer) and originating institution (the ODFI; the employer's bank).

** BITTTAAAC = 10 character field beginning with a blank in the first position, followed by the four-digit transit number, the four-digit ABA number, and the Check Digit.

WORKSHEET

Fill in the blanks with the appropriate information.

Field	1	2	3	4	5	6	7	8	9	10	11	12	13
Date Element Name	Record Type	Priority Code	Immediate Destination	Immediate Origin	Transmission Date	Transmission Time	File ID Modifier	Record Size	Blocking Factor	Format Code	Immediate Destination Name	Immediate Origin Name	Reference Code
Content	'1'	'01'									004	10	1

RECORD FORMAT - COMPANY/BATCH HEADER RECORD - Total Length 94

Field	1	2	3	4	5	6	7	8	9	10	11	12**	13
Field	1	2	3	4	5	6	7	8	9	10	11	12***	13
Date Element Name	Record Type	Service Class Code	Company Name	Company Discretionary Data	Company Identification Code	Standard Entry Class Code	Company Description	Effective Entry Date	Settlement Date (Julian)	Originator Status Code	Originating Off Identification	Batch Number	
Field Inclusion Requirement	N	N	N	O	A	N	N	O	A	N	N	N	A
Contents	'\$'	Numeric	Numeric	Numeric	Numeric	'000'	Numeric	Numeric	Numeric	Numeric	Numeric	1111AAA	Numeric
Length	1	3	16	20	10	3	10	6	6	3	1	6	7
Position	01-01	02-04	05-20	21-40	41-50	51-53	54-63	64-69	70-75	76-78	79-79	80-87	88-94

- NOTE on Field 6: Some direct deposit software used by financial institutions requires the entry of "CCD" in this field while other packages will accept "CCD" or "PPD." You may want to verify this point with your bank.
 - NOTE on Field 12: TTTTAAAA- 8 character field beginning with the four-digit transit number followed by the four-digit ABBA number.

WORKSHEET

Fall in the Month with the Astarte

RECORD FORMAT. ENTRY DETAIL RECORD. Total Length, 94

Field	1	2	3	4	5	6	7	8	9	10	11
Date Element Name	Record Type Code	Transaction Code	Recalling Off-Identification	Check Digit	Off Account Number	Amount	Individual Identification Number	Individual Name	Dictionary Data	Address Record Indicator	Trace Number
Field Inclusion Requirements	N	N	N	N	N	N	N	N	N	N	N
Character	'6'	numeric	01111111	numeric	Alphabetic	Alphabetic	Alphabetic	Alphabetic	Alphanumeric	Alphanumeric	Numeric
Length	1	2	8	1	17	10	15	22	2	1	15
Position	01-01	02-03	04-11	12-12	13-20	20-39	40-56	55-76	77-78	79-79	80-94

NOTE on Field 3: TTTTTAAA- 8 character field beginning with the four-digit transit number followed by the four-digit ABA number.

The first eight digits of the Trace Number field must equal the first eight digits of the ODFI routing number (this is also the middle eight digits in Field Number 4 "Immediate Origin" in the File Header Record). Positions 88-90 of the Trace Number field must be a number that associates in correspondence with the replacement of this particular entry detail record within the batch. For example: the Trace Numbers for Ich first, second, and third entry detail records where the ODFI routing number is 8282222 would be 828222201, 828222202, and 828222203. See also the related field titled "Entry Detail Sequence Number" in the Addenda record for more information. Your bank may be willing to automatically add these numbers when the direct deposit is processed.

WORKSHEET Fill in the blanks with the appropriate information:

RECORD FORMAT- ADDENDA RECORD- Total Length 94

Field	1	2	3	4	5*
Date Element Name	Record Type Code	Addenda Type Code	free form	Special Addenda Sequence Number	Entry Detail Sequence Number
Field Inclusion Requirement	N	N	0		N
Content	'7'	'05'			
Length	1	2	80		
Position	01-01	02-03	04-43	64-67	88-94

- **NOTE on Field 5:** The value entered into the Entry Detail Sequence Number field must be the same as the value in positions 88-94 of the Trace Number field in the related Entry Detail Record. Your bank may be willing to automatically add these numbers when the direct deposit is processed.

WORKSHEET

Fill in the blanks with the appropriate information:

Field	1	2	3	4**	5
Date Element Name	Record Type Code	Addenda Type Code	free form	Special Addenda Sequence Number	Entry Detail Sequence Number
Content	7	05		see free form field Record format, next page	0001

- **NOTE on Field 4:** This value must always be "0001" to indicate that there is one Addenda Record associated with the Entry Detail Record.

RECORD FORMAT - FREE FORM FIELD - Total Length, 80

Field	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Date Element Name	S	Segment Identifier	S	Application Identifier	S	Case Identifier	S	Pay Date	S	Payment Amount	S	Absent Parent SSN	S	Medical Support Indicator	S	FIPS Code	Segment Terminator	
Field Inclusion Requirement	M	M	M	M	M	M	M	M	M	M	M	M	M	M	O	M	M	
Contents **	'DED'	*	'CS'	*	AN	*	01	*	42	*	AN	*	AN	*	AN	*	AN	*
Length	3	1	2	1	1-20	1	6	1	1-10	1	9	1	1	1-10	1	5-7	1	
Position	01-03	04	05-06	07	08-27	28	29-34	35	36-45	46	47-55	56	57	58	59-66	67	70-76	77

S = Separator or Position Holder - character which divides the data elements contained in the Free Form Field.

- **M** = Mandatory: necessary to transmit record through ACH network.
 - **R** = Required: not necessary to transmit through ACH, but may be necessary at receiving institution (the RDFI).
 - **O** = Optional: up to the discretion of the originator (in this case, the employer) and originating institution (the ODFI; the employer's bank).

 - **AN** = Alpha-numeric string type data element. Left justified, trailing spaces should be suppressed unless they are necessary to satisfy a minimum length requirement.
 - **DT** = Date type data element. Format for the date is YYMMDD.
 - **N2** = Numeric type data element with two decimal places to the right of a fixed implied decimal point. The decimal point is not transmitted. This number will always be positive for the child support application addendum convention. For example, \$550.00 would look like 550000.
- Length** - In this Free Form Field, some data elements are variable length. Those fields show a minimum and maximum length, such as 1-20 in the Case Identifier Field, or 1-10 in the Absent Parent Name Field. These data elements must carry at least the minimum number of characters, but not more than the maximum. Trailing spaces should be suppressed unless they are necessary to satisfy a minimum length requirement.

EXAMPLES

Since this field contains optional and variable length data elements, the field will not always look the same when filled with data. Below are two examples of how this field might look.

Field	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Byte Element Name	Segment Identifier	S	Application Identifier	S	Case Identifier	S	Pay Date	S	Payment Amount	S	Absent Parent SSN	S	Medical Support Indicator	S	Absent Parent Name	S	FIPS Code	Segment Terminator
Content	DED	*	C8	*	Alpha- meric	*	NumERIC	*	NumERIC 2 deci- mals	*	Alpha- meric	*	Alpha- meric	*	Alpha- meric	*	Alpha- meric	\
Example 1	DED	*	C8	*	34455678SS	*	911225	*	12075	*	273564135	*	Y	*	JonesJoe	*	55667	-
Example 2	DED	*	C8	*	5566778CS	*	910715	*	7500	*	333456777	*	W	*	smithJoy	*	55667	-

Example 1

DED*CS*34455678SS*911225*12075*273564135*Y*JONESJOE*55667\

Example Number 1 is a record for the following payment: Nebraska Docket/Page Number 34455678SS, with a Pay Date of December 25, 1991, for \$120.75. The employee's name is Joe Jones and his Social Security Number is 273-56-4135. Dependent medical insurance is available through Mr. Jones' employer. The Clerk of the District Court receiving Mr. Jones' child support payment FIPS code is 55667.

Example 2

DED*CS*5566778CS*910715*7500*333456777*N*SMITHJOY*55667\

Example Number 2 is a record for the following payment: Nebraska Docket/Page Number 5566778CS, with a Pay Date of July 15, 1991, for \$75.00. The employee's name is Joy Smith and her Social Security Number is 333-45-6777. Dependent medical insurance is not available through Ms. Smith's employer. The Clerk of the District Court receiving Mr. Jones' child support payment FIPS code is 55667.

RECORD FORMAT. COMPANY/BATCH CONTROL RECORD. Total Length: 94

Field	1	2	3*	4	5	6	7	8	9	10**	11
Field Element Name	Record Type Code	Service Class Code	Entry Account Count	Entry Cash	Total Debit Entry Dollar Amount	Total Credit Entry Dollar Amount	Company Identification	Message Authentication Code	Reserved	Originating DFI Identification	Batch Number
Field Inclusion Requirement	N	N	N	N	N	N	N	O	N/A	N	N
Content	'0'	Numeric	Numeric	Numeric	Numeric	Numeric	Alphabetic	Alphabetic	Blank	1111111111111111	Numeric
Length	1	3	6	10	12	12	10	19	6	6	7
Position	01-01	02-06	05-10	11-20	21-32	33-44	45-54	55-73	74-79	80-87	88-94

- NOTE on Field 3:** This count must include all Entry Detail Records plus all Addenda Records counted separately. For example, if there are 20 Entry Detail Records, the amount entered in this field would be 40 because there are 20 Addenda Records associated with 20 Entry Detail Records.

WORKSHEET

Ell in the Blanks with **the accompanying** **Answer Keys**

RECORD FORMAT - FILE CONTROL RECORD - Total Length: 94

Field	1	2	3	4*	5	6	7	8
Data Element Name	Record Type Code	Batch Count	Entry/ Addenda Count	Entry Cash	Total Debit Entry Dollar Amount In file	Total Credit Entry Dollar Amount In file	Reserved	
Field Indication Requirement	N	N	N	N	N	N	N/A	
Contents	19*	Numeric	Numeric	Numeric	ssssssssssssssss	ssssssssssssssss	Blank	
Length	1	6	6	6	10	12	12	39
Position	01-01	02-07	08-13	14-21	22-31	32-43	44-55	56-94

- **NOTE on Field 4:** This count must include all Entry Detail Records and all Addenda Records counted separately. For example, if there are 20 Entry Detail Records, the amount entered in this field would be 40 because there are 20 Addenda Records associated with the 20 Entry Detail Records.

WORKSHEET

Fill in the blanks with the appropriate information:

Field	1	2	3	4	5	6	7	8
Data Element Name	Record Type Code	Batch Count	Entry/ Addenda Count	Entry Cash	Total Debit Entry Dollar Amount In file	Total Credit Entry Dollar Amount In file	Reserved	
Contents	9						Blank	

Information for Banks

Court-ordered child support makes a major contribution to the well-being of millions of children across the United States. Employer withholding is one of the most effective ways to collect child support. Now employers withholding child support for Iowa workers can make those payments using direct deposit.

Introduction

More than 6,000 Iowa employers withhold child support from their employees and mail the payments to the Collection Services Center. It is now possible for those employers to use direct deposit to transfer the funds. The employer who is providing you with this material wishes to use direct deposit and is requesting your assistance during implementation.

In 1989, more than 41 percent of the child support collected in the United States came from employers. Employer withholding is an extremely effective way of collecting child support. However, since it represents an additional step for the employer, we are always seeking new ways to make the process easier. And, as you know, direct deposit is a highly efficient way to move funds from one organization to another.

Your assistance is requested in the following areas, all of which are described in more detail in the materials provided here:

- o It may be necessary for you to adapt your data processing system to use mandatory national standards for file and record structure.
- o You will need to plan the logistics of direct deposit with the employer. For example, will the data be transferred using a modem or a magnetic tape?
- o Once the employer has adapted his or her payroll system, direct deposit of child support should be tested using simulated data. An optional prenote may also be scheduled.

Background information for bankers

Federal law requires that employers withhold child support for all new or modified child support orders that are collected by the State of Iowa. In the past, employers transferred withheld funds by mailing either a single check with a list of employees and amounts or a check for each employee to the Collection Services Center.

During the past year, direct deposit of child support has been tested with two major Iowa employers. The success of that test has caused the State and federal child support authorities to extend this option to other employers. Your assistance is needed to implement direct deposit of child support.

It is important for you to know that direct deposit of child support uses a very specific record format based on national standards established by a working group that included representatives of the National Automated Clearinghouse Association (NACHA). The child support record is a form of CCD+ record and includes an addenda record for each entry detail record. The child support format is described in the next section of this document to assist your programmers in preparing for direct deposit of child support.

Child support withholding record structure

The structure of the file and records used for direct deposit of child support will be similar to ones you are already receiving. The record structure is the one used for CCD+ transmissions. That structure is as follows:

```
File Header Record
  Company/Batch Header Record
    Entry Detail Record
      Addenda Record
    Entry Detail Record
      Addenda Record
  Company/Batch Control Record
File Control Record
```

Attached to this document is a copy of the information being provided to programmers at employer sites to help them adapt their computer systems to direct deposit of child support. This information contains very detailed information about the content of each field. We suggest that the programmers at your bank review this information, especially that describing the contents of the addenda record and the free-form field within that record.

Logistical issues

Attached to this document is a prototype "Employer/Bank Agreement" that can be used in your discussions with the employer. It contains space to document your discussions on the following points:

- o Main contact at bank and employer
- o Typical processing schedule
- o Transfer format
- o Dates for test, prenote, and first live transmission
- o Charges
- o Contingency plans in case of failure

Testing the process

Two methods of testing the child support direct deposit process are suggested. First, the employer's programmers should notify the bank when they are ready to send a trial file to the bank to verify format, content, and the transfer process. If any problems are detected, the test should be repeated as often as necessary to ensure that this aspect of the direct deposit process is working smoothly.

Second, a prenote (although optional for this type of transfer) is suggested. As you know, a prenote tests the movement of information through the Automated Clearinghouse (ACH) used by your bank. The prenote also tests the presence of the destination bank and child support account. The prenote must take place at least 10 days prior to the first live transmission.

For more information, call (515) 281-6389

**Employer/Bank Agreement
Direct Deposit of Child Support**

Contact: bank

phone: _____

Contact: employer

phone: _____

Technical contact: bank

phone: _____

Technical contact: employer

phone: _____

Processing schedule:

Date of first test:

Date of prenote:

Date of first live transmission:

Transfer format:

Tape (speed/size) _____

Modem (speed/type) _____

Bank fees/charges:

Contingency plans/Comments:

Authorized by:

for bank/date

for employer/date

APPENDIX D

NEBRASKA BROCHURE

YOU CAN'T MISS

CONVENIENT NATIONAL STANDARDS FOR DIRECT DEPOSIT

To make direct deposit convenient and consistent from state to state, national standards have been created for the computer file format and transfer process. This means that the enhancements you make to your payroll process now will make it possible to use direct deposit to transfer child support to agencies in other countries and other states in the future.

CHILD SUPPORT WITHHOLDING WILL INCREASE

Beginning in 1994, Federal law requires that income withholding be included in all new or modified child support orders. This law is likely to substantially increase the number of employees for whom you must withhold child support. Implementing direct deposit now will greatly reduce the impact of this future requirement.

FOR MORE INFORMATION...

Request an Implementation Packet that includes detailed technical information by completing and mailing the attached business reply card or...

CALL:

for
Child Support

for more general information about
direct deposit of child support.



**EASY
PAYMENT
SERVICES**

EMPLOYER DIRECT DEPOSIT

Send To:

Return Address:

APPENDIX E

NEBRASKA IMPLEMENTATION PACKET

START HERE!

We've provided this planning checklist to help take you through the process of implementing direct deposit of child support.

Activity	Comments	Date Scheduled	Date Done
Read "Information for Employers"			
Meet with payroll/programming staff	Give them "Information for Programmers"		
Meet with your bank	Give them "Information for Your Bank"		
Make programming changes			
Test process	Before sending prenote		
Develop written procedures	Include a schedule and backup procedures		
Conduct prenote	At least 10 days prior to first transmission		
Monitor first transmission			
Complete and mail evaluation form			

EPS: Easy Payment Services



DEPARTMENT OF HEALTH & HUMAN SERVICES
ADMINISTRATION FOR CHILDREN AND FAMILIES

THE EFT/EDI PILOT PROJECT
FOR CHILD SUPPORT ENFORCEMENT

We are encouraging your participation in an innovative and exciting national initiative involving wage withholding and the electronic transfer of funds and data. This project is sponsored by the Office of Child Support Enforcement (OCSE) of the U. S. Department of Health and Human Services in conjunction with the National Automated Clearing House Association (NACHA) and endorsed by the American Payroll Association. OCSE is charged with overseeing the Federal/State Child Support Enforcement Program.

What is the Child Support Enforcement Program?

The Program was established in 1975 as Title IV-D of the Social Security Act. Its purpose is to:

- ensure that children are supported by their parents;
- foster family responsibility; and
- reduce the costs of welfare to the taxpayer.

The Program functions in all States and territories. It is usually administered through State and county social services departments, though many States have agreements with prosecuting attorneys, other law enforcement agencies, and family or domestic relations courts to carry out the Program at the local level.

Why should I be concerned with Child Support Enforcement?

To ensure that support money regularly and reliably gets to the children for whom it is destined, the Family Support Act of 1988 mandates immediate wage withholding for most new child support orders beginning in 1994. (For those cases in which the custodial parent is receiving services from the State Child Support Enforcement Program, the effective date for mandatory withholding was November 1, 1990.) This new provision of the law will not only have an impact on the Child Support Enforcement (CSE) agencies administering the Program but will directly affect most employers as well. Employers will be required to withhold wages and remit payments and payment information to the CSE agencies. Payments may go directly to custodial parents as well, depending on individual States' method of administration.

What is the national initiative for all noncustodial parents in my employ?

The initiative is known as the Electronic Funds Transfer/Electronic Data Interchange (EFT/EDI) Pilot Project. EFT and EDI technologies are combined in this initiative to electronically transmit both payments and payment related data from employers to CSE agencies. Over the past decade, EFT has thrived in the financial world and EDI has gained acceptance in virtually all industries as a means to transmit purchase orders, shipping information, invoices, and other business documents.



DEPARTMENT OF HEALTH & HUMAN SERVICES
ADMINISTRATION FOR CHILDREN AND FAMILIES

How is EFT/EDI technology applicable to child support enforcement?

Use of electronic funds transfer and data interchange can provide a seamless flow of collections and information from employer to the CSE agency and child support recipient. The simultaneous transmission of wage withholdings and related case data using EFT and EDI will improve both the accuracy and speed of child support collections. OCSE in conjunction with the National Automated Clearing House Association, bankers, payroll associations, and employers, has developed a standard format for transferring both wage withholding payments and the related data. This standardization should diminish many problems now encountered by employers who must respond to multiple States' varying data needs.

What is the purpose of the EFT/EDI Pilot Project?

The purpose of the Project is to:

- establish, test, and refine the process; and
- demonstrate how EFT/EDI can boost both State CSE agencies' and employers' efficiency in implementing immediate wage withholding, alleviating much of the anticipated workload associated with the legislatively mandated, universal application of wage withholding to all child support cases.

Is there any prior experience with EFT/EDI in child support wage withholding?

Since 1990, OCSE has been sponsoring an EFT demonstration project in Iowa and Nebraska. The overall assessment of using EFT to deposit employees' child support payments was that the benefits exceed the costs. Even though this method of transferring child support payments has a very short history, employers believed that the eventual savings, particularly in terms of staff time, would greatly exceed the programming costs and operational and logistical problems associated with modifying their automated payroll systems.

What benefits to the employer have been found in the EFT demonstration project?

Prior to EFT, one employer reported writing individual checks for each affected employee. The need to type the check; verify, review and approve the check amount; enter the information into the payroll and/or accounting system; and then mail the checks and other information (e.g., case number) to the CSE agency was labor intensive, sometimes costing more to process than the amount of the check. Other benefits were reported in faster transmission of information, less room for error (e.g., wrong amount typed on the check, loss of the check in the mail), and, for one employer, reduced bank charges related to the transactions.

What are the costs of EFT/EDI to the employer?

The initial, one-time programming costs necessary to set up their system to accommodate EFT appeared to be the greatest cost to employers. When employers—who participated in the Iowa/Nebraska demonstration project—were asked to estimate these costs, the estimates ranged from a low of approximately \$1,600 to a high of about \$9,500. This large range in costs most likely reflects several factors:



**DEPARTMENT OF HEALTH & HUMAN SERVICES
ADMINISTRATION FOR CHILDREN AND FAMILIES**

- the size of the company;
- the degree of automation;
- the extent of the system changes required (less when the payroll system is already programmed to perform functions electronically, such as direct deposit of wages to employee accounts); and
- whether the change is being made for all employees whose wages are being withheld to meet child support payments, or only a few (e.g., in Nebraska the EFT project involved only one county).

Aside from the programming costs, most of the other direct costs (e.g., ongoing system maintenance costs, bank charges) and opportunity costs (e.g., loss of float on the wage withholdings) were mentioned by employers as being very minimal.

What is the incentive for my company to establish EFT/EDI?

Implementing EFT/EDI will minimize paperwork, enhance the productivity of employees who may be child support recipients, and most importantly, will ensure that children do not go without the basic necessities of life.

INFORMATION FOR EMPLOYERS

Thank you for your interest in participating in the pilot project to implement the national standard for direct deposit of child support. Nebraska is pleased to be the recipient of a federal grant to participate in this national project sponsored by the federal Office of Child Support Enforcement and the National Automated Clearing House Association. The results of your efforts will not only enable you to directly deposit child support payments, but will help other employers to easily take advantage of this new capability.

Sincerely,

Mary Ann Miller, Administrator
Child Support Enforcement
Nebraska Department of Social Services

This part of the Implementation Packet describes in general terms the steps to take to initiate direct deposit of child support. Please read this document before proceeding with the implementation of direct deposit.

A. Background information about child support withholding

Federal law requires that employers withhold child support for all new or modified child support orders that are collected by Nebraska Clerks of District Courts. There are now three ways to transfer these funds to the Clerks' Offices:

- Mail a separate check for each employee.
- Mail one check and a list indicating the employee names and the dollar amount withheld for each employee.
- Use direct deposit to transfer funds and information electronically to the Clerk's bank account.

Using direct deposit. "Direct deposit" (a form of electronic funds transfer) can transfer child support directly into the Clerk's account. At the end of each pay period, your payroll system can create a file listing the employees and child support amounts withheld. The file can then be transferred to your bank which will use it to withdraw funds from your account and transfer them to the Clerk of the District Court's bank account.

Direct deposit benefits employers. Because direct deposit eliminates the need to create and mail paper checks, the withholding process is faster and less expensive. Federal law also requires that, beginning in 1994, all child support payments (including those not handled by the Clerks' offices) be collected through income withholding. This law may substantially increase the number of employees for whom you must withhold child support. Implementing direct deposit now will reduce the impact of this future requirement.

Employee permission is not needed. The withholding of child support is mandated by court order. However, the mechanism used to transfer those funds to the Clerk of the District Court is the choice of the employer. It is not necessary to obtain permission from employees before using direct deposit.

There are three major steps in implementing direct deposit of child support: adapting the payroll system, coordinating with your bank, and testing the process.

B. Programming changes

To implement direct deposit, your payroll department or your payroll processor will need to create a file for your bank to transmit the withheld child support.

The magnitude of changes. Since you are already using direct deposit for other payments, changes to your data processing system will probably be minimal. However, assistance is available to you or your staff to answer any technical questions that arise.

The issue of record and file structure. Information about the employee, the court order, and the payment must be transmitted electronically to the Clerk's bank in a specific format. National standards have been developed for child support direct deposit records and files. A copy of those standards is enclosed for use by your payroll staff.

C. Coordinating with your bank

Since you are already using direct deposit for other payments, your bank is accustomed to receiving electronic transmissions of information from your company. However, the addition of direct deposit of child support raises several new issues for you to discuss with your bank.

- The bank will need to know about the required format of the child support record and file. For example, each employee record will always be followed by an addenda record. Your current direct deposit functions may not use addenda records.
- You should discuss the logistics of the transmission with the bank. Will you use a modem or a magnetic tape? How often will you make the transmission?
- Reporting should be discussed. Will you want the bank to prepare a report for you showing the information about child support that was transmitted? Is the bank currently preparing reports for you for other direct deposit functions or will this be a new function?

We have included a document in this folder called "Information for Your Bank" to use when you meet. It will describe the child support withholding process in more detail and answer many of the questions the bank will have about this new procedure. Enclosed as part of "Information for Your Bank" is an agreement summary sheet to help you document the decisions made in your meeting.

D. Testing the process

When your payroll staff have finished the necessary changes to your payroll system, you will be able to process a test transmission of child support withholding. This must be coordinated with your bank. You will need to establish a time and date for the transmission and to create test data. Based on the results of this test, some additional revisions may need to be made to your payroll system or to the bank's data processing system. You should continue to test the process until both you and your bank are satisfied that the information is being transferred in a complete and accurate manner.

E. Conduct prenote

A one-time process called a "prenote" (prenotification) is often conducted prior to the first live transmission as an additional test of the direct deposit process. A prenote simulates a future live transmission and contains zeros in the "amount" fields. Although a prenote is optional for this type of transmission, it is recommended. Additional information about the prenote process is included in "Information for Your Programmer." The prenote must take place at least ten days prior to the first live transmission.

F. Written procedures

It will be helpful to develop written procedures describing the process of direct depositing child support. Schedules and steps of the process should be included.

G. Evaluation form

Please take a moment to complete and mail the evaluation form enclosed in this packet. Your comments about the implementation process will help us improve the assistance and materials we provide to other employers.

INFORMATION FOR PROGRAMMERS

Recent federal legislation requires employers to withhold more child support payments from employees' wages in the coming years. As the number of withheld child support payments grows, the demand upon payroll processing staff will grow. The ability to transfer these payments by direct deposit will ease processing these payments, particularly in the future.

This part of the Employer Direct Deposit Implementation Packet describes the programming requirements for implementing direct deposit of wage withheld child support payments. There are four general steps for implementing the direct deposit:

1. Identify sources of required data,
2. Modify your payroll system,
3. Test the new transmission process,
4. Document the direct deposit process.

The specific steps necessary to find the necessary data, modify your system to create an electronic funds transfer (EFT) file, and transmit that file to your bank, will vary depending upon the type of payroll system you have and the method you use to transmit information to your bank.

At the end of this document you will find detailed descriptions of the record formats for sending Automated Clearing House (ACH) transactions, including the Child Support Addendum Convention.

1. Identify Sources of Required Data

Direct deposit child support payments use the CCD+ (Cash Concentration and Disbursement) format which contains one entry detail record and one addenda record per payment. Most data will be the same as that which you are currently using for other direct deposit applications. However, the layout of the addenda record for child support is very specific. The addenda record has an 80 character free form field which will carry the specific case information required by the Collection Services Center (CSC) for posting the payment. The data required for the addenda record include the following:

- The obligor's unique case identifier. You can find this number on the court order which requires you to withhold the child support payment.
- The pay date — the actual date the money will be withheld, equal to the date of payroll.
- The payment amount.
- The obligor's social security number.
- The medical support indicator. This is a "Y" or "N" depending upon whether the employer's health plan offers dependent medical coverage.

There are two optional data elements included in the addenda record. They are:

- The obligor's name. This should be on your computer system, and would be helpful for the receiving agency if you are able to include it.
- The Federal Information Process Standard (FIPS) code. While the FIPS code isn't actually in use yet, it will be used in the future. You may find it most convenient to plan for it now, whether that means building a table to store FIPS codes, or creating the space for entering the code. When it becomes necessary in the future, the correct FIPS code will be provided on the original court order requiring you to withhold the child support.

2. Modify Your Payroll System

The modifications necessary will depend upon your payroll system and the method you use to transmit files to the bank.

PPD vs. CCD+ Format

Many direct deposit transactions take place using the ACH Prearranged Payments and Deposits (PPD) format. However, direct deposit of child support uses the Cash Concentration or Disbursement plus an addenda record (CCD+) format. If you are not currently using the CCD+ format, you will find a few differences in the data required for the header and control records. In addition, there is an addenda record which follows the entry detail record. We have included a detailed description of the CCD+ format, including appropriate default field entries. This description is presented graphically along with examples and a blank record you can use as a worksheet.

One way to analyze what this new process will require of you would be to print out a current direct deposit transmission file. You can then use that printout to fill in the worksheet for the CCD+ format. Filling in the worksheets this way will help you identify what data elements may not exist in your system, and raise any other issues you may need to address. There are some key points to keep in mind:

1. How will the process retrieve the existing data?
2. Where will the new data (such as the medical support indicator) be stored?
3. How will the new process fit into the existing system? For example, will you need to generate reports of this transaction? Will you need to provide for other record-keeping capabilities?

3. Test the New Transmission Process

Once all the pieces are in place, you will want to test the process, including the transmission. We suggest the following steps:

1. Run an in-house test of the new process.
2. Print out the new file for a visual check.
3. Arrange a specific time with your bank to send a test transmission with dummy data.
4. Run another test, this time to transmit to the bank.
5. Send the transmission to your bank.
6. Talk with someone at your bank who can verify the transmission, and who can actually verify the file.

4. Document the Direct Deposit Process

Once you have tested the process successfully, write the instructions for processing the direct deposit to include with your other documentation. If you have a procedure for documenting new applications, you will want to follow that, of course. However, if you don't have such a procedure you could use the following list.

Include in your documentation:

1. Where and when in the payroll process the file is created that will be transmitted to the bank.
2. All of the steps involved in creating the file and transmitting it to the bank.
3. How the bank responds to the transmission — whether the response is a paper report, or a phone call verifying the transmission.
3. What type of records of the transmission — electronic and/or paper — are kept and the procedure for storing them.
4. Contingency plans for different situations, such as when a bank holiday falls on a payroll date, or if the transmission doesn't work.
5. Names and phone numbers of contacts for troubleshooting (i.e., the ACH representative at the bank).

CCD+ FORMAT AND CHILD SUPPORT ADDENDA RECORD

Data for the ACH File

The structure of the file and records used for direct deposit of child support will be similar to ones you are already sending. That structure is as follows:

File Header Record	see page 6
Company/Batch Header Record	see page 7
Entry Detail Record	see page 8
Addenda Record	see pages 9-11
Entry Detail Record	repeating record
Addenda Record	repeating record
Entry Detail Record	repeating record
Addenda Record	repeating record
Company/Batch Control Record	see page 12
File Control Record	see page 13

The pages that follow have detailed descriptions of each of these record formats. Most likely you will not need to create all these record files. Often banks will create the header and control records, or supply software that will create those records for you. However, as you work with the bank to implement direct deposit of child support, it may be helpful to know what goes into a CCD+ transaction.

Along with the record formats, you will find a separate description of the 80 character free form field in the Addenda Record which is used to carry the specific child support payment information. This description includes data element definitions and format requirements.

All record formats, except for the Addenda Record format, are taken from the 1991 ACH Rules, published by the National Automated Clearing House Association. Any further information you may need should be available from your bank ACH representative.

RECORD FORMAT - FILE HEADER RECORD - TUDAL LENGTH, 94

Field	1	2	3	4	5	6	7	8	9	10	11	12	13
Date Element Name	Record Type	Priority Code	Immediate Destination	Immediate Origin	Transmission Date	Transmission Time	File ID Modifier	Record Size	Blocking Factor	Format Code	Immediate Destination Name	Immediate Origin Name	Reference Code
Field location Requirements	N	N	N	N	N	N	O	N	N	N	N	N	0
Contents	'01'	'0111111111111111'	'0111111111111111'	'0111111111111111'	TIME00	TIME	TIME	Upper Case A - Z Numeric 0 - 9	'00%	'10'	Alphabetic	Alphabetic	Alphabetic
Length	1	2	10	10	6	6	1	3	2	1	23	23	6
Position	01-01	02-03	04-13	14-23	24-29	30-33	34-36	35-37	38-39	40-40	41-61	44-66	87-94

M = Mandatory: necessary to transmit record through ACII network.

R - Acquired: not necessary to transmit through ACI, but may be necessary at receiving institution (the RDFI)

O - Optional: up to the discretion of the originator (in this case, the employer) and continuing institution (the ODFI; the envelope's bank)

6TTTAAAAAC = 10 character field beginning with a blank in the first position, followed by the four-digit transit number, the four-digit AIAA member, and the Check Digit.

WORKSHEET

Ell in the blocks with the same ending.

Field	1	2	3	4	5	6	7	8	9	10	11	12	13
Date Element Name	Record Type	Priority Code	Immediate Destination	Immediate Origin	Transmission Date	Transmission Time	File ID Modifier	Record Site	Blocking Factor	Format Code	Format Code	Intermediate Origin Name	Intermediate Destination Name
contents	"1	"01"								094	10	1	

RECORD FORMAT - COMPANY/BATCH HEADER RECORD - Total Length, 94

Field	1	2	3	4	5	6	7	8	9	10	11	12	13
Data Element Name	Record Type	Service Class Code	Company Name	Company Discretionary Date	Company Identification	Standard Entry Class Code	Company Entry Description	Descriptive Date	Effective Entry Date	Settlement Date (Julian)	Originator Status Code	Originating DFI Identification	Batch Number
Field Inclusion Requirement	M	M	M	O	A	M	M	O	A	M	M	M	M
Contents	"S"	Numeric	Alphanumeric	Alphanumeric	"CCD"	Alphanumeric	Alphanumeric	"TTTAA"	Numeric	AlphaNumeric	TTTTAAAA	Numeric	
Length	1	3	16	20	10	3	10	6	6	1	6	7	
Position	01-01	02-04	05-20	21-40	41-50	51-53	54-61	62-69	70-75	76-78	79-80	81-87	88-94

- M = Mandatory: necessary to transmit record through ACII network.
- R = Required: not necessary to transmit through ACII, but may be necessary at receiving institution (the RDP).
- O = Optional: up to the discretion of the originator (in this case, the employer) and originating institution (the ODF); the employer's bank.
- TTTTTAAA = 8 character field beginning with the four-digit ABA number followed by the four-digit AAA number.

WORKSHEET

Fill in the blanks with the appropriate information:

Field	1	2	3	4	5	6	7	8	9	10	11	12	13
Data Element Name	Record Type	Service Class Code	Company Name	Company Discretionary Date	Company Identification	Standard Entry Class Code	Company Entry Description	Descriptive Date	Effective Entry Date	Settlement Date (Julian)	Originator Status Code	Originating DFI Identification	Batch Number
Contents	S					CCD							

RECORD FORMAT - ENTRY DETAIL RECORD - Total Length, 94

Field	1	2	3	4	5	6	7	8	9	10	11
Data Element Name	Record Type Code	Transaction Code	Receiving Dis-Identification	Check Digit	DIS Account Number	Amount	Individual Identification Number	Individual Name	Discre- tional Date	Attribute Record Indicator	Trace Number
field inclusion requirement	N	N	N	N	N	N	N	N	N	N	N
Contents	"6"	Numeric	"1111111111111111"	Numeric	Numeric	Numeric	Numeric	Numeric	Numeric	Numeric	Numeric
Length	1	2	8	1	17	10	15	22	2	1	15
Position	01-01	02-03	04-11	12-12	13-29	30-39	40-54	55-76	77-78	79-79	80-84

M = Mandatory: necessary to transmit record through ACH network.
R = Required: not necessary to transmit through ACH, but may be necessary at receiving institution (the RDFI).

U - **Employee:** up to one workstation or two workstations (in this case, the employee's bank) and originating institution (the UDF); the employee's bank

TRTTAAA - 8 character field beginning with the four-digit transis number followed by the four-digit AIA another

WORKSHEET

Fill in the blanks with the remaining information.

RECORD FORMAT - ADDENDA RECORD - Total Length: 94

Field	1	2	3	4	5
Date Element Name	Record Type Code	Addenda Type Code	Free form	Special Addenda Sequence Number	Entry Detail Sequence Number
Inclusion Requirement	M	M	O	N	N
Content	17	03	Alphanumeric	Binary	Binary
Length	1	2	60	4	7
Position	01-01	02-03	04-43	04-47	05-94

M = Mandatory: necessary to transmit record through ACH network.
 R = Required: not necessary to transmit through ACH, but may be necessary at receiving institution (the RDFI).
 O = Optional: up to the discretion of the originator (in this case, the employer) and originating institution (the ODFI; the employer's bank).

WORKSHEET

Fill in the blanks with the appropriate information:

Field	1	2	3	4	5
Date Element Name	Record Type Code	Addenda Type Code	Free form	Special Addenda Sequence Number	Entry Detail Sequence Number
Content	7	03	see free form field record format, next page		

RECORD FORMAT - FREE FORM FIELD - Total Length 80

Field	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Date Element Name	Segment Identifier	S	Appli- cation Identifier	S	Case Identifier	S	Pay Date	S	Payment Amount	S	Absent Parent SSN	S	Medical Support Indicator	S	Absent Parent Name	S	IIPS Code	Segment Terminator
Field Inclusion Requirements	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"
Content**	"000"	*	"CG"	*	"AB"	*	"D1"	*	"N2"	*	"AN"	*	"AN"	*	"AN"	*	"AN"	*
Length	3	1	2	1	1-20	1	6	1	1-10	1	9	1	1	1-10	1	5-7	1	
Position	01-03	04	05-06	07	08-27	28	29-34	35	36-45	46	47-55	56	57	58	59-66	69	70-76	77

S = Separator or Position Holder - character which divides the data elements contained in the Free Form Field.

- M = Mandatory: necessary to transmit record through ACII network.
 - R = Required: not necessary to transmit through ACII, but may be necessary at receiving institution (the RDFI).
 - O = Optional: up to the discretion of the originator (in this case, the employer) and originating institution (the ODFI; the employer's bank).

 - AN = Alpha-numeric string type data element. Left justified, trailing spaces should be suppressed unless they are necessary to satisfy a minimum length requirement.
 - IYF = Date type data element. Format for the date is YYMMDD.
 - N2 = Numeric type data element with two decimal places to the right of a fixed, implied decimal point. The decimal point is not transmitted. This number will always be positive for the child support application addendum convention. For example, \$50.00 would look like "5000".
- Length -**
- In this Free Form Field, some data elements are variable length. Those fields show a minimum and maximum length, such as 1-20 in the Case Identifier Field, or 1-10 in the Absent Parent Name Field. These data elements must carry at least the minimum number of characters, but not more than the maximum. Trailing spaces should be suppressed unless they are necessary to satisfy a minimum length requirement.

EXAMPLES

Since this field contains optional and variable length data elements, the field will not always look the same when filled with data. Below are two examples of how this field might look.

Field Element Name	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Segment Identifier	S	Appli- cation Identifier	S	Case Identif- er	S	Pay Date	S	Payment Amount	S	Absent Parent SSN	S	Medical Support Indi- cator	S	FIPS Code	S	Absent Parent Name	S	Segment Identifier
Content	DED	*	CS	*	Alphabetic	*	Numer- ic	*	Numeric - 2 dec- imals	*	Alpha- metric	*	Alpha- metric	*	Alpha- metric	*	Alpha- metric	*

1. DED*CS*34455678SS*911225*12075*275564135*Y*JONESJAMES*55667\

Example Number 1 is a record for the following payment: Nebraska Docket/Page Number 34455678SS, with a Pay Date of December 25, 1991, for \$120.75. The employee's name is James Jones and his Social Security Number is 275-56-4135. Dependent medical insurance is available through Mr. Jones' employer. The Clerk of the District Court receiving Mr. Jones' child support payment FIPS code is 55667.

DED*CS*5566778CS*910715*7500*3334567777N*SMITHJOY*55667\

Example Number 2 is a record for the following payment: Nebraska Docket/Page Number 5566778CS, with a Pay Date of July 15, 1991, for \$75.00. The employee's name is Joy Smith and her Social Security Number is 333-45-6777. Dependent medical insurance is not available through Ms. Smith's employer. The Clerk of the District Court receiving Ms. Jones' child support payment FIPS code is 55667.

2.

RECORD FORMAT - COMPANY/BATCH CONTROL RECORD - Total Length, 94

Field	1	2	3	4	5	6	7	8	9	10	11
Date Element Name	Record Type Code	Service Class Code	Entry Address Count	Entry Mesh	Total Debit Entity Dollar Amount	Total Credit Entity Dollar Amount	Company Identification	Message Authentication Code	Reserved	Originating ODI Identification	Batch Number
Field Inclusion Requirement	M	M	M	M	M	M	M	O	N/A	M	M
Contents	'8'	numeric	numeric	numeric	8888888888888888	8888888888888888	Alphanumeric	Blank	TTTTAAAAAA	numeric	
Length	1	3	6	10	12	12	10	19	6	6	7
Position	01-01	02-04	05-10	11-20	21-32	33-44	45-56	55-73	74-79	80-87	88-91

M = Mandatory: necessary to transmit record through ACH network.

R = Required: not necessary to transmit through ACH, but may be necessary at receiving institution (the RDFI).

O = Optional: up to the discretion of the originator (in this case, the employer) and originating institution (the ODI); the employer's bank.

.. TTTTTAAA = 8 character field beginning with the four-digit AUA number followed by the four-digit AUA number.

WORKSHEET

Fill in the blanks with the appropriate information:

Field	1	2	3	4	5	6	7	8	9	10	11
Date Element Name	Record Type Code	Service Class Code	Entry Address Count	Entry Mesh	Total Debit Entity Dollar Amount	Total Credit Entity Dollar Amount	Company Identification	Message Authentication Code	Reserved	Originating ODI Identification	Batch Number
Contents	M								Blank		

INFORMATION FOR BANKS

More than 6,000 Nebraska employers withhold child support from their employees and mail the payments to Nebraska Clerks of District Courts. It is now possible for those employers to use direct deposit to transfer the funds. The employer who is providing you with this material wishes to use direct deposit and is requesting your assistance during implementation.

In 1989, more than 41 percent of the child support collected in the United States came from employers. Employer withholding is an extremely effective way of collecting child support. However, since it represents an additional step for the employer, we are always seeking new ways to make the process easier. And, as you know, direct deposit is a highly efficient way to move funds from one organization to another.

Your assistance is requested in the following areas, all of which are described in more detail in the materials provided here:

- It may be necessary for you to adapt your data processing system to use the mandatory national standards for file and record structure.
- You will need to plan the logistics of direct deposit with the employer. For example, how will you receive the employer's information - over a modem or a magnetic tape?
- Once the employer has adapted the payroll system for direct deposit of child support, the transaction should be tested using simulated data. An optional prenote may also be scheduled.

We very much appreciate your willingness to help us implement this important new method of transferring child support funds. If you need further assistance, the employer has the information to contact the appropriate Clerk of the District Court's Office.

Court-ordered child support makes a major contribution to the well-being of millions of children. Employer withholding is one of the most effective ways to collect child support. Now Nebraska employers can make those payments using direct deposit.

A. Background information for bankers

Federal law requires that employers withhold child support for all new or modified child support orders that are collected by the State of Nebraska. In the past, employers transferred withheld funds by mailing either a single check with a list of employees and amounts or a check for each employee to the appropriate Nebraska Clerk of the District Court.

During the past year, direct deposit of child support has been tested with the State of Nebraska as an employer. The success of that test has caused the State and federal child support authorities to extend this option to other employers. Your assistance is needed to implement direct deposit of child support.

It is important for you to know that direct deposit of child support uses a very specific record format based on national standards established by a working group that included representatives of the National Automated Clearinghouse Association (NACHA). The child support record is a form of CCD+ record and includes an addenda record for each entry detail record. The child support format is described in the next section of this document to assist your programmers in preparing for direct deposit of child support.

B. Child support withholding record structure

The structure of the file and records used for direct deposit of child support will be similar to ones you are already receiving. The record structure is the one used for CCD+ transmissions. That structure is as follows:

File Header Record	see page 6
Company/Batch Header Record	see page 7
Entry Detail Record	see page 8
Addenda Record	see pages 9-11
Entry Detail Record	repeating record
Addenda Record	repeating record
Entry Detail Record	repeating record
Addenda Record	repeating record
Company/Batch Control Record	see page 12
File Control Record	see page 13

Attached to this document is a copy of the information being provided to programmers at employer sites to help them adapt their computer systems to direct deposit of child support. This information contains very detailed information about the content of each field. We suggest that the programmers at your bank review this information, especially that describing the contents of the addenda record and the free-form field within that record.

C. Logistical issues

Attached to this document is a prototype "Employer/Bank Agreement" that can be used in your discussions with the employer. It contains space to document your discussions on the following points:

- Main contact at bank and employer's office
- Typical processing schedule

- Transfer format
- Dates for test, prenote, and first live transmission
- Charges to the employer
- Contingency plans in case of failure

D. Testing the process

We suggest two methods of testing the child support direct deposit process. First, the employer's programmers should notify the bank when they are ready to send a trial file to the bank to verify format, content, and the transfer process. If any problems are detected, the test should be repeated as often as necessary to ensure that this aspect of the direct deposit process is working smoothly.

Second, a prenote (although optional for this type of transfer) is suggested. As you know, a prenote tests the movement of information through the Automated Clearinghouse (ACH) used by your bank. The prenote also tests the presence of the destination bank and child support account. The prenote must take place at least 10 days prior to the first live transmission.

**Employer/Bank Agreement
Direct Deposit of Child Support**

Contact: bank

phone: _____

Technical contact: bank

phone: _____

Processing schedule:

Date of first test:

Date of prenote:

Date of first live transmission:

Transfer format:

Tape (speed/size)

Modem (speed/type)

Other

Bank fees/charges:

Contingency plans/Comments:

Authorized by:

for bank/date

for employer/date

EMPLOYER EVALUATION

We would appreciate your time in filling out this brief questionnaire so that we may help other employers more effectively.

Employer Name: _____

Employer Address: _____

Please rate the implementation materials:

1 = Excellent	2 = Good	3 = Fair	4 = Poor	5 = No Opinion	
For the Employer	1	2	3	4	5
For the Programmer	1	2	3	4	5
For the Bank	1	2	3	4	5

Please answer the following questions:

1. Approximately how many hours of time did the implementation require..

from programmers? _____ from managers? _____

2. Did all the data elements for the addenda record exist in your computer system? yes no

If no, which ones did not exist? _____

3. Was it difficult to collect any of these data elements? yes no

If yes, which ones were a problem? _____

4. Were there any difficulties working with the bank? yes no

If yes, describe:

5. What advice or recommendations would you give to other employers who might want to implement direct deposit of child support?

APPENDIX F

OVERVIEW OF WAGE WITHHOLDING

**EMPLOYER WITHHOLDING
OF CHILD SUPPORT**
*Why It is Important and
Why It will Increase Dramatically*

August 1991

Prepared by:
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EMPLOYER WITHHOLDING OF CHILD SUPPORT

Court-ordered child support makes a major contribution to the well-being of millions of children in the United States. Employer withholding of court-ordered child support is one of the most effective ways to collect support. National standards for direct deposit of withheld child support have been established and are now being tested in four states under a federal demonstration project.

SECTION	PAGE
The Magnitude of the Child Support Problem	1
The Difference Between Support Ordered and Support Collected	2
The Consequences of the Child Support Problem	3
Government Involvement in Child Support Collection	4
The Use of Employer Withholding	5
Why Employer Withholding Will Increase	6
The Responsibilities of Employers	7
Why and How Direct Deposit Will Help Employers	8

The Magnitude of the Child Support Problem

Summary: An increasing number of children are being raised in single-parent homes because of rising divorce rates and an increasing number of births to single parents. Unless these children receive financial support from the absent parent, they are likely to grow up in poverty.

An increasing number of children in the United States are being raised in single-parent households. Unless adequate child support is both ordered and collected from the absent parent, these families - and the children in them - have diminished standards of living, increased poverty rates, and excessive rates of dependency on welfare programs.

Both rising divorce rates and an increase in out-of-wedlock births have caused a substantial number of children in the United States to be raised in single-parent households. With only one wage-earner in the household, the money available to support the family is reduced.

To make matters worse, the majority of custodial parents are women. Women, on average, still earn slightly more than 60 percent as much as men in comparable jobs. Alimony settlements are now very rare. Furthermore, studies have shown that after a divorce, the relative standard of living for the custodial parent declines substantially over time. Child support plays a critical role in ensuring that children in single-parent households maintain an adequate standard of living.

Statistics:¹ In 1989 . . . 15.5 million children under the age of 18 lived with only one parent, an increase of 89 percent over the number in 1970. Eighty-eight percent of the parents in these households were female.

. . . More than one out of every five children under 18 in the United States lived in a family where the mother was never married or the father was absent because of death, divorce, or separation.

. . . 43 percent of the 7.4 million families maintained solely by a mother with children under 18 had incomes below the poverty line. Almost 10 percent of those mothers worked full-time year-round.

The Difference Between Support Ordered and Support Collected

Summary: Not all custodial parents have child support orders. Even when child support is ordered by the courts, it is often only partially paid or not paid at all.

Despite the importance of child support in ensuring an adequate standard of living for millions of children in the United States, not all custodial parents have child support orders. There are several reasons for the absence of support orders: the custodial parent failed to seek one, the non-custodial parent could not be located, paternity was not or could not be established, or the parents have only separated and have not gone through a formal divorce proceeding. These circumstances leave many children without adequate financial resources.

Even when child support is ordered, it is often not paid. One study indicated that fewer than half of custodial parents receive the full support ordered. The other half of the custodial parents are about evenly divided between those who receive no support at all and those who receive only partial payments.

Furthermore, many orders are so low that they do not make a significant contribution to the child's support. Thus, even when child support is fully paid, the child may still be living below the poverty line.

Statistics: In 1987, only 41 percent of women eligible for child support had support orders.

In that same year, of the women who had support orders, 25 percent received less than was owed and 24 percent received no support at all.²

When studies of the true costs of raising children are compared to the amount of child support ordered by courts, the results indicate that the amount owed as a national average should have been more than twice what was actually ordered (\$27.5 billion versus \$10.9 billion in 1985).³

The Consequences of the Child Support Problem

Summary: The child support problem has both social and financial costs for all citizens in the United States. When child support is not ordered or paid, children suffer in many ways and the custodial parent is more likely to turn to public assistance programs for help.

To compensate for the loss of the income of the absent parent, heads of many single-parent households turn to public assistance. For example, the majority of households using the Aid to Families with Dependent Children program (AFDC) are participating because of the absence of a parent due to divorce, desertion, or non-marriage. This reliance on public assistance has shifted the burden of family support from the non-custodial parent and onto programs funded by tax dollars. Furthermore, participation in public assistance programs can bring families into the well-documented cycle of diminished self-reliance that can extend into subsequent generations.

The lack of support from absent parents has a less obvious but also important impact on the quality of family life, as well. Financially stressed heads of single-parent households often take second and third jobs in an attempt to raise their standards of living. This increased employment takes the custodial parent away from the family for long periods of time, which creates an additional stress on children.

And, partly as a result of the child support problem, children are becoming poor at much greater rates than other groups in the United States population. This poverty places their future education, health, and employment potential at serious risk.

Statistics: One study indicated that more than 85 percent of households on AFDC are using it because of the loss of an absent parent's income.⁴

From 1969 to 1987, the country's overall poverty rate increased from 12.1 percent to 13.5 percent. During the same period the poverty rate for children increased from 13.8 percent to 20.4 percent.⁵

Government Involvement in Child Support Collection

Summary: Due to the importance and complexity of the child support problem, the federal government became involved in the collection of child support about fifteen years ago. Each state is required to maintain a child support enforcement program that has as one of its responsibilities the collection and disbursement of child support. Since it was founded, the child support enforcement program has grown substantially.

In 1975, federal legislation created the Child Support Enforcement program, also called the "IV-D program" after the section of law that authorized it. Basic responsibility for administering the program lies with the states, but the federal Office of Child Support Enforcement (OCSE) retains a funding, monitoring, and evaluation role. At the state level, the IV-D program performs the following services: establishing paternity, locating absent parents, establishing support orders, as well as collecting and disbursing payments.

All families on AFDC are required by law to use the services of the IV-D program. In addition, an increasing number of non-AFDC custodial parents are requesting IV-D program assistance.

Statistics:⁶ In 1990 . . . \$1.6 billion dollars was spent in the United States to collect \$6.0 billion dollars worth of child support.

. . . About two-thirds of the amount collected was collected on behalf of non-welfare clients.

. . . Payments were collected for more than 2 million individual cases nationwide.

OCSE figures indicate that the amount of support collected increased by 117 percent in the period from 1978 to 1987.

The Use of Employer Withholding

Summary: The withholding of child support from employee paychecks has proven to be one of the most effective ways to collect child support.

"Wage withholding" is the term used within the child support world to describe a process where support is withheld from employee paychecks by employers who then forward it to the agency or court that is responsible for distributing it to custodial parents.

Wage withholding, sometimes referred to as "garnishment," was originally introduced as a method of collecting delinquent child support. Public Law 98-378 (1984) required that states:

- o Initiate wage withholding for all cases administered by the IV-D program when an arrearage accumulates that is equal to one month of support.
- o Include in all new or modified court orders for support a provision that allows the use of wage withholding when a one-month arrearage occurs. This second requirement was added to allow wage withholding even in cases not administered by the IV-D program.

Statistics: In fiscal year 1989, 42 percent of all non-welfare child support and 39 percent of all welfare child support was collected through wage withholding.

Why Employer Withholding Will Increase

Summary: The success of employer withholding of child support for certain types of support orders led the federal government to require it for almost all other types of orders as well. Federal laws passed in 1988 have substantially increased, and will continue to increase, the number of support orders that must be collected through employer wage withholding.

Wage withholding proved to be a highly successful as a method of collecting arrearage balances. For that reason, it was added in Public Law 100-485 (1988) as a standard child support collection method for cases administered through the IV-D program. In fact the law *requires* the use of wage withholding for:

- o In 1990: all new or modified orders administered by the IV-D program, regardless of whether there is an arrearage balance
- o In 1994: all new or modified child support orders or cases not administered by the IV-D agency

These requirements have already substantially increased the number of cases for which employers must withhold child support. The requirement that will take effect in 1994 will have an even greater effect on employers because it will greatly increase the number of cases involved.

Statistics: The exact number of wage withholding cases that will be added by these regulations is difficult to estimate. Several major factors can affect the use of wage withholding, including whether state law and practice encourages the effective use of wage withholding, and the proportion of IV-D versus non-IV-D cases. In some states, the number of non-IV-D cases is probably equal to the IV-D cases already subject to these requirements. In other states, like Michigan, nearly all child support cases are already administered within the IV-D program.

The Rights and Responsibilities of Employers

Summary: Employers have certain well-defined rights and responsibilities in the wage withholding process that are defined in federal law.

The various federal laws that govern the wage withholding process stipulate that the employer must:⁷

- o Upon receipt of a notice, begin withholding no later than the first pay period that occurs after 14 days following the date the notice was mailed.
- o Forward the payment to the designated agency within 10 days of the date on which the employee was paid.
- o Notify the court or agency that issued the order when an employee leaves that employer so that the new employer can be sought.
- o Take no retaliation against employees for whom child support is withheld (although the employer can charge the employee a fee for administrative costs).
- o Be liable for support amounts not withheld as directed.
- o Apply the guidelines of the Federal Consumer Credit Protection Act to ensure that the amount withheld does not exceed a certain percentage of disposable income.

Why and How Direct Deposit Will Help Employers

Summary: National standards have recently been established for direct deposit of child support payments from employers and are being tested in a pilot project in four states.

The concept of using direct deposit, a form of electronic funds transfer, to transfer child support payments has already been tested on a limited basis as part of a federal demonstration project. It proved to be an efficient method for both the employers and the agencies.

To permit a broader test of this payment method, it was necessary to develop national standards to ensure that employers could use one consistent method to prepare and send payments electronically to all participating child support collection entities in the country. In 1991, national standards were developed by a committee that included representatives from government, national employers, payroll processors, and the banking industry. These standards describe the format and contents of the electronic file used to transfer funds from the employer to the agencies and courts in the pilot project states through an Automated Clearinghouse (ACH).

In the past, employers withholding child support had two options for payment: create one check per IV-D agency/court and mail it with a list of employees and the amounts or create one check for each employee and agency/court, sort them, and mail them to the proper destination. For a major national employer making payments to agencies in many states and counties, either process was quite time-consuming.

Now employers can use direct deposit to make child support payments to many of the receiving agencies in the pilot project states. Other agencies/courts will be able to accept direct deposit payments in the future. Direct deposit has the following advantages for employers:

- o It is not necessary to create and mail paper checks and lists
- o Once an employer's computer (or that of his/her payroll processing company) is adapted to child support direct deposit, the process will occur automatically each time payroll is run
- o Once an electronic file is created for each employee containing the amount and destination of payments, no further action is needed.

1. Overview of Entitlement Programs (1991 Green Book), Committee on Ways and Means, U.S. House of Representatives, May 7, 1991, pp 658-663.
2. Overview of Entitlement Programs, pg. 666.
3. Ron Haskins, et.al., Estimates of National Child Support Collections Potential and the Income Security of Female-Headed Families, Report to the Office of Child Support Enforcement, Bush Institute for Child and Family Policy, University of North Carolina at Chapel Hill, April 1985.
4. Data and Material Related to Welfare Programs for Families with Children, U.S. Senate Committee on Finance, Staff Report, Senate Print 100-20 (March 1987), pp. 107-108.
5. U.S. Bureau of the Census, Money, Income, and Poverty Status of Families and Persons in the United States: 1987, Current Population Reports, Series P-60, No. 161 (August 1988).
6. Overview of Entitlement Programs, pp. 660-663.
7. Overview of Entitlement Programs, pp. 678-679.

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